

# UTAH COUNTIES INSURANCE POOL

## BOARD OF TRUSTEES MEETING

Thursday, September 15, 2011, 12:00 p.m.

UCIP Offices, 10980 S. Jordan Gateway, South Jordan, UT

## AGENDA

12:00 Lunch Provided

12:30 Call to Order

Kay Blackwell

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### ITEM

- |    |  |                |
|----|--|----------------|
| 1  | Review/Excuse Board Members Absent   | Kay Blackwell  |
| 2  | Review/Approve August 18, 2011 Meeting Minutes   | Steve Wall     |
| 3  | Ratification and Approval of Payments and Credit Card Transactions   | Steve Wall     |
| 4  | Review/Approve Second Quarter Financial Statements   | Sonya White    |
| 5  | Review/Approve Board Travel Policy   | Brad Dee       |
| 6  | Review/Approve Workers Compensation Audit Adjustment   | Johnnie Miller |
| 7  | Review/Approve AGRIP Advisory Standards Recognition Application/Resolution   | Johnnie Miller |
| 8  | Review/Approve Website/Logo Redesign   | Johnnie Miller |
| 9  | Set Date and Time for Closed Meeting<br>to Discuss Character, Professional Competence, Physical/Mental Health of an Individual | Kay Blackwell  |
| 10 | Action on Personnel Matters  | Kay Blackwell  |
| 11 | Set Date and Time for Closed Meeting<br>to Discuss Pending or Reasonably Imminent Litigation                                   | Kay Blackwell  |
| 12 | Action on Litigation Matters   | Kent Sundberg  |
| 13 | Reinsurer Annual Report  | Johnnie Miller |
| 14 | Loss Control Manager's Report  | Mark Brady     |
| 15 | Chief Executive Officer's Report   | Johnnie Miller |
| 16 | Other Business   | Kay Blackwell  |





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Notice Title:

Board of Trustees Meeting

Government Type:

Special Districts

Entity:

Utah Counties Insurance Pool

Public Body Name:

Board of Trustees

Notice Subject:

Insurance

Notice Type:

Meeting

Street Address:

10980 S. Jordan Gateway

Street Address continued:

City:

South Jordan

Zip:

84095

Start Date:

09/15/11 12:00 PM

End Date:

09/15/11 4:00 PM

Description / Agenda:

Lunch Provided  
Call to Order  
Review/Excuse Board Members Absent  
Review/Approve August 18, 2011 Meeting Minutes  
Ratification and Approval of Payments and Credit Card Transactions  
Review/Approve Second Quarter Financial Statements  
Review/Approve Board Travel Policy  
Review/Approve Workers Compensation Audit Adjustment  
Review/Approve AGRIP Advisory Standards Recognition Application/Resolution  
Review/Approve Website/Logo Redesign  
Set Date and Time for Closed Meeting  
to Discuss Character, Professional Competence, Physical/Mental Health of an Individual  
Action on Personnel Matters  
Set Date and Time for Closed Meeting  
to Discuss Pending or Reasonably Imminent Litigation  
Action on Litigation Matters  
Reinsurer Annual Report  
Loss Control Manager's Report  
Chief Executive Officer's Report  
Other Business

ADA:

In compliance with the Americans with Disabilities Act, individuals needing special accommodations (including auxiliary communicative aids and services) during this meeting should notify Sonya White at the Utah Counties Insurance Pool, PO Box 760, Midvale, UT 84047, or call 800-339-4070, at least three days prior to the meeting.

Electronic Participation:

Any Member of the Utah Counties Insurance Pool Board of Trustees may participate telephonically.

Other:

Emergency Notice:

No

Send copy of notice to:

editor@sltrib.com

Attachments







Utah Counties Insurance Pool  
*Supporting Your Goals Since 1992*

## BOARD OF TRUSTEES MEETING MINUTES

September 15, 2011, 12:00 pm  
UCIP Offices, South Jordan, UT

### **BOARD MEMBERS PRESENT**

Kay Blackwell, *President*, Piute County Commissioner  
Jim Eardley, *Vice President*, Washington County Commissioner  
Steve Wall, *Secretary-Treasurer*, Sevier County Clerk/Auditor  
Bruce Adams, San Juan County Commissioner  
Gary Anderson, Utah County Commissioner  
Craig Dearden, Weber County Commissioner  
Marilyn Gillette, Tooele County Clerk  
Karla Johnson, Kane County Clerk/Auditor  
Bret Millburn, Davis County Commissioner  
Cameron Noel, Beaver County Sheriff  
Kent Sundberg, Utah County Deputy Attorney

### **BOARD MEMBERS ABSENT**

Brad Dee, Weber County Human Resources Director  
Jerry Hurst, Tooele County Commissioner

### **OTHERS PRESENT**

Johnnie Miller, UCIP Chief Executive Officer  
Sonya White, UCIP Manager of Administration

### **Call to Order**

Kay Blackwell called this meeting of the Utah Counties Insurance Pool Board of Trustees to order at 12:30 p.m. on September 15, 2011 and welcomed those in attendance.

### **Review/Excuse Board Members Absent**

Jim Eardley made a motion to excuse Brad Dee and Jerry Hurst from this meeting. Bret Millburn seconded the motion, which passed unanimously.

### **Approve August 18, 2011 Meeting Minutes**

The minutes, of the Board of Trustees meeting held August 18, 2011, were previously sent to the Board Members for review (see attachment number one). Steve Wall made a motion to approve the August 18, 2011 meeting minutes as written. Craig Dearden seconded the motion, which passed unanimously.

### **Ratification and Approval of Payments and Credit Card Transactions**

Steve Wall reviewed the payments made, payments to be made (see attachment number two) and credit card transactions with the Board. Steve Wall made a motion to approve the payments made, payments to be made and credit card transactions. Marilyn Gillette seconded the motion, which passed unanimously.

### **Review/Approve Second Quarter Financial Statements**

The second quarter financial statements were previously sent to the Board Members for review (see attachment number three). Sonya White reported that Reserves have decreased \$136,000 from the prior year second quarter due to settlement and closure of claims. With this activity in the second quarter 2011, Losses Paid are at \$318,000 over budget. This accounts for the negative Net Income of \$273,000. Third quarter will provide a better indication of the Net Income for the year as shown in the Trending worksheet provided to the Board (see attachment number four).

#### **Review/Approve Board Travel Policy**

In Brad Dee's absence, Johnnie Miller reviewed the current Travel Policy with the Board (see attachment number five), adopted October 15, 2010. Although the policy doesn't specifically state, per diem paid to the Board for out-of-state training, has been based on the Meals and Incidental Expenses Breakdown pursuant to the General Services Administration rate. Bruce Adams made a motion to amend the policy to pay the full daily Standard Meals and Incidental Expenses rate published by the Office of Government Policy, General Services Administration. Gary Anderson seconded the motion, which passed unanimously.

#### **Review/Approve Workers Compensation Audit Adjustment**

Johnnie Miller explained that for the 2011 coverage year, Rich County paid a premium to the Utah Local Governments Trust (ULGT) for workers compensation coverage. Proper notice had not been given to the Pool to withdraw from coverage so the County ended up paying both ULGT and the Pool; ULGT would not refund the County's premium. Pursuant to the 2010 payroll audit, Rich County owes \$1,753 for underreported payroll. Johnnie recommends that this expense be waived for the County conditioned upon their membership for 2012. Bruce Adams made a motion to waive the additional premium due by Rich County for 2010 workers compensation coverage. Jim Eardley seconded the motion, which passed unanimously.

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#### **Review/Approve AGRiP Advisory Standards Recognition Application/Resolution**

Johnnie Miller reported that he is in the process of completing the paperwork necessary to reapply for the AGRiP Best Practices Recognition Program. The Pool received this recognition in 2004 and 2008; it will expire in 2012. Steve Wall made a motion to approve Resolution No. 2011-1: Resolution Approving Application for Recognition in the Association of Governmental Risk Pools (AGRiP) Advisory Standards Program. Karla Johnson seconded the motion, which passed unanimously.

#### **Review/Approve Website/Logo Redesign**

Johnnie Miller provided the Board with a proposal from Fluid Studios for re-branding, website re-design programming and implementation (see attachment number six). Johnnie explained that the current Pool website is outdated and it has been difficult to find programmers willing to service changes. Fluid Studios is an approved vendor of the State. Kent Sundberg made a motion to approve Fluid Studio as the vendor to provide re-branding and re-design of the website for the Pool and accept their proposal for services. Marilyn Gillette seconded the motion, which passed unanimously.

#### **Set Date and Time for Closed Meeting**

Craig Dearden made a motion to *Set Date and Time for a Closed Meeting to Discuss Character, Professional Competence, Physical/Mental Health of an Individual* for 1:10 p.m. on September 15, 2011. Bret Millburn seconded the motion, which passed unanimously. Board Members present at the closed meeting: Kay Blackwell, Jim Eardley, Steve Wall, Bruce Adams, Gary Anderson, Craig Dearden, Marilyn Gillette, Karla Johnson, Bret Millburn, Cameron Noel and Kent Sundberg. Also present: Johnnie Miller and Sonya White.

The regular meeting resumed at 1:20 p.m. on September 15, 2011.

#### **Action on Personnel Matters**

Steve Wall made a motion to strike agenda item: *Action on Personnel Matters*. Craig Dearden seconded the motion, which passed unanimously.

#### **Set Date and Time for Closed Meeting**

Kent Sundberg made a motion to *Set Date and Time for a Closed Meeting to Discuss Pending or Reasonably Imminent Litigation* for 1:20 p.m. on September 15, 2011. Jim Eardley seconded the motion, which passed unanimously. Board Members present at the closed meeting: Kay Blackwell, Jim Eardley, Steve Wall, Bruce Adams, Gary Anderson, Craig Dearden, Marilyn Gillette, Karla Johnson, Bret Millburn, Cameron Noel and Kent Sundberg. Also present: Johnnie Miller and Sonya White.

The regular meeting resumed at 1:30 p.m. on September 15, 2011.

#### Action on Litigation Matters

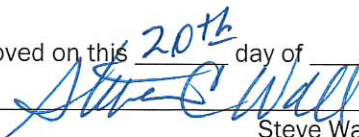
Gary Anderson made a motion to ratify the settlement of \$50,000 in the matter of UTA0001402008. Jim Eardley seconded the motion, which passed unanimously.

#### Chief Executive Officer's Report

Johnnie Miller reported that staff attended the quarterly PRIMA Member luncheon and heard a presentation on the risk factors involved in the recent oil rig explosion. Johnnie met with officials and employees of Duchesne County to assist in the coordination of duties as a member of the Pool. Johnnie attended the AGRiP/CAJPA Conference where the AGRiP Board met and he participated in liability transfer and auditor responsibilities training. Mark Brady and Johnnie attended the Annual Sheriff's Association Conference in St. George. Mark and Johnnie attended the USACCC Conference in Midway and presented on group home legislation, FEMA and Lexipol.

#### Other Business

The next meeting of the Board of Trustees is scheduled for October 20, 2011 at 12:00 p.m. at the UCIP Offices, South Jordan.

Approved on this 20<sup>th</sup> day of October 2011  
  
Steve Wall, Secretary/Treasurer





# Utah Counties Insurance Pool

## Payments

### August 19, 2011 - September 15, 2011

Type	Date	Num	Name	Memo	Amount
<b>ML Expense</b>					
Liability Check	8/30/2011		QuickBooks Payroll Service	Created by Payroll Services on 08/25/2011	-13,587.65
Liability Check	9/14/2011		QuickBooks Payroll Service	Created by Payroll Services on 09/09/2011	-13,404.13
Check	8/31/2011			Service Charge	-106.43
Liability Check	8/31/2011	ONLINE	United States Treasury	EFT ACKNOWLEDGEMENT NUMBER: 2701643051736...	-5,131.79
Liability Check	8/31/2011	ONLINE	Utah Retirement Systems	Unit No: 864 (AUG 2011)	-6,929.35
Liability Check	8/31/2011	ONLINE	Utah State Tax Commission	Confirmation Number: 0-945-274-880	-1,728.82
Liability Check	8/31/2011	ONLINE	Nationwide Retirement Solutions	Entity: 644013	-2,115.34
Liability Check	9/15/2011	ONLINE	United States Treasury	EFT ACKNOWLEDGEMENT NUMBER: 2701658914192...	-5,189.28
Check	8/26/2011	VISA	Wells Fargo	Account Number: 4856 2002 0633 9635	-122.63
Check	8/26/2011	VISA	Wells Fargo	Account Number: 4856 2002 0869 3567	-732.80
Check	8/26/2011	VISA	Wells Fargo	Account Number: 4856 2002 0646 9796	-51.75
Check	8/22/2011	6069	Bruce Adams	Expense Reimbursement	-414.60
Check	8/22/2011	6070	Kay Blackwell	Mileage Reimbursement	-99.90
Check	8/22/2011	6071	Kent Sundberg	Mileage Reimbursement	-249.75
Check	8/22/2011	6072	Jerry Hurst	Mileage Reimbursement	-268.62
Check	8/22/2011	6073	Marilyn Gillette	Mileage Reimbursement	-268.62
Check	8/22/2011	6074	Karla Johnson	Mileage Reimbursement	-88.80
Check	8/22/2011	6075	Craig Dearden	Mileage Reimbursement	-371.90
Check	8/22/2011	6076	Brad Dee	VOID: Expense Reimbursement	0.00
Check	8/22/2011	6077	Steven Wall	Mileage Reimbursement	-127.65
Bill Pmt -Check	8/23/2011	6078	Office Depot	Invoice Number: 573989487001	-84.26
Bill Pmt -Check	8/23/2011	6079	Office Depot	Invoice Number: 574687420001	-198.35
Bill Pmt -Check	8/23/2011	6080	Office Depot	Invoice Number: 574926632001	-43.70
Bill Pmt -Check	8/23/2011	6081	By The Numbers Actuarial Consulting...	Invoice Number: 2011-116	-7,000.00
Bill Pmt -Check	8/23/2011	6082	Festival Hall	RMC Facility Rental	-850.75
Bill Pmt -Check	8/23/2011	6083	Garden House of Cedar City	Invoice Number: 4755	-3,438.50
Bill Pmt -Check	8/23/2011	6084	Office Depot	Invoice Number: 575273876001	-9.11
Bill Pmt -Check	8/23/2011	6085	Paetec	Invoice Number: 3068550	-681.59
Check	8/23/2011	6086	Brad Dee	Expense Reimbursement	-368.90
Check	9/2/2011	6088	Kent Sundberg	Airfare Reimbursement AGRIP Atlanta	-240.80
Liability Check	9/2/2011	6089	Public Employees Health Program	Policy Number 1076 (AUGUST)	-7,237.32
Check	9/2/2011	6090	Johnnie R. Miller	Mileage Reimbursement	-298.60
Check	9/2/2011	6091	Korby M. Siggard	Mileage Reimbursement	-206.90
Check	9/2/2011	6092	Weber County	Member Event 8/22/11	-1,000.00
Bill Pmt -Check	9/2/2011	6093	AGRIP	Invoice Number: 11I-02759	-600.00
Bill Pmt -Check	9/2/2011	6094	Best Western Town & Country	Invoice Number: 291	-1,489.14
Bill Pmt -Check	9/2/2011	6095	Revco Leasing Company, LLC	Invoice Number: 275024	-815.89
Bill Pmt -Check	9/2/2011	6096	Western AgCredit	Invoice Number: 9-2011	-10,788.00
Bill Pmt -Check	9/12/2011	6097	South Jordan City	Invoice Number: 090811-01	-87.50
Check	9/12/2011	6098	Johnnie R. Miller	Mileage Reimbursement	-613.28
Liability Check	9/15/2011	6099	Opticare of Utah	Invoice Number: 12533	-76.02
Bill Pmt -Check	9/15/2011	6100	Office Depot	Invoice Number: 576626940001	-47.10
Bill Pmt -Check	9/15/2011	6101	End Point Corporation	Invoice Number: UC1104	-90.00
Bill Pmt -Check	9/15/2011	6102	J. Joyce & Associates	Invoice Number: 07845	-905.50
Bill Pmt -Check	9/15/2011	6103	Office Depot	Invoice Number: 576804479001	-22.50
Bill Pmt -Check	9/15/2011	6104	TCNS, Inc.		-870.00
Total ML Expense					-89,053.52
<b>TOTAL</b>					<b>-89,053.52</b>





Utah Counties Insurance Pool  
*Supporting Your Goals Since 1992*

## FINANCIAL STATEMENTS

Quarter Ending June 30, 2011

To the Board of Trustees:

I have compiled the accompanying, in-house prepared, unaudited account balances arising from cash transactions and from accrual transaction of the Utah Counties Insurance Pool as of 6/30/2011 and accompanying notes to basic financial statements.

Sonya White  
Manager of Administration  
801-307-2113  
[sonya@ucip.utah.gov](mailto:sonya@ucip.utah.gov)

Reviewed this \_\_\_\_\_ day of \_\_\_\_\_, 2011

By: \_\_\_\_\_

Accrual Basis

# Utah Counties Insurance Pool

## Statement of Net Assets

As of June 30, 2011

	<u>Jun 30, 2011</u>	<u>Jun 30, 2010</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Total Checking/Savings	11,776,165.57	11,839,254.85
Accounts Receivable	205,436.06	292,971.23
Excess Recoverable	145,492.36	185,873.55
Prepaid Reinsurance	<u>907,546.50</u>	<u>1,049,173.50</u>
<b>Total Current Assets</b>	<b>13,034,640.49</b>	<b>13,367,273.13</b>
<b>Fixed Assets</b>		
Capital Assets	289,511.17	272,827.74
Accumulated Depreciation	(194,909.83)	(187,811.13)
Land	494,445.53	494,445.53
Capital (CRL)	587,267.00	362,335.00
Security Deposit	<u>11,336.22</u>	<u>11,336.22</u>
<b>Total Fixed Assets</b>	<b>1,187,650.09</b>	<b>953,133.36</b>
<b>TOTAL ASSETS</b>	<b><u>14,222,290.58</u></b>	<b><u>14,320,406.49</u></b>
<b>LIABILITIES &amp; EQUITY</b>		
<b>Liabilities</b>		
Reserves	6,735,285.00	6,871,880.62
Unearned Premiums	2,973,368.50	2,845,146.50
Accounts Payable	-0.02	405,275.00
Payroll Liabilities	2,384.21	992.06
Sick Payable	18,017.31	14,725.66
Vacation Payable	<u>21,535.49</u>	<u>10,681.52</u>
<b>Total Liabilities</b>	<b>9,750,590.49</b>	<b>10,148,701.36</b>
<b>Equity</b>		
Capital Assets	600,897.00	596,840.00
Unrestricted	4,143,570.16	3,652,958.67
Net Income	<u>(272,767.07)</u>	<u>(78,093.54)</u>
<b>Total Equity</b>	<b>4,471,700.09</b>	<b>4,171,705.13</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u>14,222,290.58</u></b>	<b><u>14,320,406.49</u></b>



Accrual Basis

## Utah Counties Insurance Pool

Statements of Revenues, Expenses and Changes in Net Assets  
As of June 30, 2011

	<u>Jan - Jun 11</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
<b>Conferences</b>	9,990.00	6,500.00	3,490.00	153.69%
<b>Investment Income</b>	32,966.08	55,000.00	-22,033.92	59.94%
<b>Management Fees</b>	1,584.26	3,000.00	-1,415.74	52.81%
<b>Premiums</b>	2,973,477.06	6,190,000.00	-3,216,522.94	48.04%
<b>Premiums Audit</b>	6,745.01	0.00	6,745.01	100.0%
<b>Total Income</b>	<u>3,024,762.41</u>	<u>6,254,500.00</u>	<u>-3,229,737.59</u>	<u>48.36%</u>
<b>Expense</b>				
<b>Board of Trustees</b>	21,705.21	40,000.00	-18,294.79	54.26%
<b>Depreciation</b>	11,850.00	35,000.00	-23,150.00	33.86%
<b>Loss Control</b>	27,085.01	42,650.00	-15,564.99	63.51%
<b>Losses Incurred</b>	98,884.00	570,000.00	-471,116.00	17.35%
<b>Losses Paid</b>	1,992,135.50	3,000,000.00	-1,007,864.50	66.41%
<b>Marketing</b>	7,107.84	16,000.00	-8,892.16	44.42%
<b>Office Operations</b>	101,557.15	220,000.00	-118,442.85	46.16%
<b>Professional Services</b>	26,865.49	77,300.00	-50,434.51	34.76%
<b>Reinsurance Coverage</b>	670,220.00	1,311,990.00	-641,770.00	51.08%
<b>Staff</b>	340,119.28	757,090.00	-416,970.72	44.93%
<b>Total Expense</b>	<u>3,297,529.48</u>	<u>6,070,030.00</u>	<u>-2,772,500.52</u>	<u>54.33%</u>
<b>Net Ordinary Income</b>	<u>-272,767.07</u>	<u>184,470.00</u>		
<b>Net Income</b>	<u><u>-272,767.07</u></u>	<u><u>184,470.00</u></u>		

# Utah Counties Insurance Pool

## Statement of Cash Flows

As of June 30, 2011

	<u>Jan - Jun 11</u>
<b>OPERATING ACTIVITIES</b>	
Net Income	-272,767.07
Adjustments to reconcile Net Income to net cash provided by operations:	
Accounts Receivable	1,311,734.04
Prepaid Reinsurance	-687,914.00
Accounts Payable	-28,012.04
Payroll Liabilities	934.63
Sick Payable	1,356.99
Vacation Payable	9,428.95
Premiums Paid in Advance	-719,028.02
Unearned Premiums	<u>2,973,368.50</u>
Net cash provided by Operating Activities	2,589,101.98
<b>INVESTING ACTIVITIES</b>	
Accumulated Depreciation	11,850.00
Capital (CRL)	<u>-4.00</u>
Net cash provided by Investing Activities	11,846.00
<b>FINANCING ACTIVITIES</b>	
IBNR Reserves	365,524.00
Loss Reserves	-271,349.00
ULAE Reserves	<u>4,709.00</u>
Net cash provided by Financing Activities	<u>98,884.00</u>
Net cash increase for period	2,699,831.98
Cash at beginning of period	<u>9,076,333.59</u>
Cash at end of period	<u><u>11,776,165.57</u></u>

**UTAH COUNTIES INSURANCE POOL**  
Notes to Basic Financial Statements

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

Utah Counties Insurance Pool (the Pool or UCIP) was incorporated in December 1991 as the Utah Association of Counties Insurance Mutual (the Mutual). In July 2003, the Mutual was renamed the Utah Counties Insurance Pool. The Pool is a non-profit public agency insurance mutual under the insurance statutes of the State of Utah and is an Interlocal entity formed under section 11-13-101 et. seq. *Utah Code Annotated, 1953* as amended, as a joint program to insure risks for counties who enter into the Interlocal agreement that creates UCIP. The Pool started providing workers' compensation coverage effective January 1, 2004. As of January 1, 2010, the Pool has a Joint Purchase Agreement with the Workers Compensation Fund to provide workers' compensation coverage to UCIP members. All of the Pool's business activities are conducted in the State of Utah.

**Accounting Principles**

These financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP) and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The Pool adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB Statement 34), GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Disclosures*, in fiscal year 2002, effective January 1, 2001. Effective January 1, 2004, the Pool adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. With the implementation of these statements, the Pool has prepared a balance sheet classified between current and noncurrent assets and liabilities, has categorized net assets as invested in capital assets and unrestricted, and has prepared the statements of cash flows on the direct method to better communicate the financial status of the governmental entity.

The accounting policies of the Pool conform to accounting principles generally accepted in the United States of America in all material respects. In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Fund and Other Governmental Entities That Use Proprietary Fund Accounting*, the Pool has opted to apply all pronouncements issued by the Financial Accounting Standards Board ("FASB") after November 1989, unless the FASB pronouncements conflict with or contradict GASB pronouncements. The following is a summary of the more significant of such policies.

**Basis of Accounting**

The Pool reports as a single enterprise fund and uses the accrual method of accounting and the economic resources measurement focus. Under this method, revenues are recognized when they are earned and expenses are recognized when they are incurred.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. The estimates which are particularly susceptible to change are related to the actuarial valuation of the claims incurred but not reported and loss reserves. Actual results could differ from those estimates.

### **Income Taxes**

The Pool is exempt from the payment of income taxes under Section 115 of the Internal Revenue Code.

### **Contributions**

Contributions are collected annually on January 1. Contributions are earned on a pro rata basis over the policy term.

### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Pool considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents. Therefore, the investments in the Utah Public Treasurers' Fund, business market funds and cash on deposit are considered to be cash equivalents.

### **Investments**

Investments are comprised of various U.S. Government securities, certificates of deposit and investments in County Reinsurance Limited (CRL).

The investments in CRL are valued using the equity method of accounting. Under the equity method, the Pool recognizes its proportionate share of the net earnings or losses of CRL which represents its share of the undistributed earnings or losses of CRL.

### **Capital Assets**

Capital assets are defined by the Pool as assets with an initial individual cost of more than \$500. Capital assets are stated at cost less accumulated depreciation. Depreciation on furniture, equipment and electronic data processing equipment is provided over the estimated useful lives of the assets on the straight-line method. Useful lives vary from three to five years. Depreciation expense for the current year, as of the quarter ending June 30, 2011, amounted to **\$11,850**.

### **Compensated Absences**

Accumulated unpaid vacation and sick pay amounts are accrued when benefits vest to employees and the unpaid liability is reflected as compensated absences payable.

### **Reserves for Losses and Loss Adjustment Expenses**

The reserves for losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount based on past experience for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes that amounts are adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liabilities are reviewed quarterly and any adjustments are reflected in the period determined.

## **2. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Listed below is a summary of the cash and investment portfolios as of June 30, 2011. Investing is governed by the prudent man rule in accordance with statutes of the State of Utah. All investments of the Pool are considered to have been made in accordance with these governing statutes.

### **Cash and cash equivalents**

Cash and cash equivalents of the Pool are carried at cost. The carrying amount of the cash on deposit, net of outstanding checks, is **\$91,931** as of June 30, 2011. As of June 30, 2011, **\$250,000** of the Pool's cash on deposit was insured by the FDIC.

The Public Treasurers' Investment Fund (PTIF) is a pooled investment fund enabling public agencies to benefit from the higher yields offered on large denomination securities. The PTIF is similar in

nature to a money market fund, but the PTIF is subject to the Money Management Act and Rules of the Money Management Council and all investments in PTIF are considered to be in compliance with the Utah Money Management Act. The PTIF invests in corporate debt, U.S. Agency notes, certificates of deposit and commercial paper. The maximum final maturity of any security invested in by the PTIF is limited to five years. The maximum weighted average life of the portfolio is limited to 90 days. There is no maturity date on an entity's investment in the PTIF. PTIF deposits are not insured or otherwise guaranteed by the State of Utah. Participants in the PTIF pay an administrative charge on an annual basis based on the average account balance. The PTIF is operated as a service to local governments and does not generate a profit to the Utah State Treasurer.

### **Custodial Credit Risk**

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2011, the Pool had amounts over FDIC insurance of \$0. As of June 30, 2011, the Pool had amounts over SIPC insurance of \$0.

As of June 30, 2011, the Pool's cash and cash equivalents and investments included the following:

	<u>2011</u>
Cash on Deposit	91,931
Utah Public Treasurer's Investment Fund:	
Held by the Pool	<u>11,684,234</u>
<b>Total Cash and Cash Equivalents</b>	<b>11,776,166</b>
Equity Investment in CRL	<u>587,267</u>
<b>Total Investments</b>	<b>587,267</b>
 <b>Total Cash and Cash Equivalents         and Investments</b>	 <b><u>12,363,433</u></b>

### **Investments**

All investments are through the Public Treasurer's Investment Fund and County Reinsurance Limited. The Pool records investments in CRL using the equity method of accounting. Investments in CRL are provided annually. The recorded value in CRL as of June 30, 2011 is as follows:

	<u>2011</u>				
	Cost/ Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Statement Value
Equity Investment in CRL	\$ 367,931	\$ 219,336	\$ -	\$ 587,267	\$ 587,267
<b>Total Investments</b>	<b>\$ 367,931</b>	<b>\$ 219,336</b>	<b>\$ -</b>	<b>\$ 587,267</b>	<b>\$ 587,267</b>

### **Interest Rate Risk**

Currently the Pool utilizes the Public Treasurer's Investment Fund (PTIF) to manage interest rate risk.

## **3. INTEREST RATES**

The interest rates for assets held with the Utah Public Treasurers' Investment Fund was .5388 as of June 30, 2011.

## **4. INVESTMENT INCOME**

Investment income is comprised of interest on securities and cash and equity in CRL.

## 5. CAPITAL ASSETS

The capital assets and related accumulated depreciation of the Pool are:

2011				
	Beginning Balance	Capital Acquisitions	Dispositions	Ending Balance
Land	\$ 494,446	\$ -	\$ -	\$ 494,446
Capital Assets	\$ 289,510	\$ -	\$ -	\$ 289,510
	<b>\$ 783,956</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 783,956</b>
	Beginning Balance	Depreciation Expense	Dispositions	Ending Balance
Accumulated Depreciation	\$ 183,059	\$ 11,850	\$ -	\$ 194,909

## 6. CONTINGENCIES

The Pool is subject to litigation from the settlement of claims contested in the normal course of business. The losses from the actual settlement of such unknown claims are taken into consideration in the computation of the estimated unpaid loss and loss adjustment expense liabilities.

## 7. REINSURANCE

Effective 2003, the Pool has purchased only specific excess coverage. The agreement provides for liability insurance in excess of a \$250,000 self-insured retention and property and crime insurance in excess of a \$250,000 self-insured retention.

Estimated claims loss liabilities are stated net of estimated losses applicable to reinsurance coverage ceded to other insurance companies of **\$2,288,597** for the multiline pool, as of June 30, 2011. However, the Pool is contingently liable for those amounts in the event such companies are unable to pay their portion of the claims.

### Unsecured Reinsurance Recoverables

The Pool has reinsurance recoverables in the amount of **\$245,066** from its reinsurers for paid losses as of June 30, 2011.

### Reinsurance Recoverable in Dispute

The Pool does not have any disputed balances or uncollectible funds.

## 8. RETIREMENT PLAN

The employees are covered under multiple-employer, public employee retirement systems administered by the Utah Retirement Systems. This plan is noncontributory and includes a 401(k) plan. The Pool contributes 13.37% of employee's salaries under the plan. The Pool contributes an amount equal to the amount contributed by the employee into a 401(k) plan and/or a 457 (administered by Nationwide Retirement Solutions) plan, not to exceed 5% of the employees eligible payroll. The total retirement expense for the Pool, for the current year, as of the quarter ending June 30, 2011, was **\$36,077**.

## 9. UNPAID CLAIMS, LOSSES AND LOSS ADJUSTMENT EXPENSES

Reserves for incurred losses and loss adjustment expenses attributable to insured events, as of June 30, 2011, has increased from the December 31, 2010 estimates by approximately **\$98,884**, as a result of reestimation of unpaid losses and loss adjustment expenses. This change is the result of ongoing analysis of recent loss development trends. Original estimates change as additional information becomes known regarding individual claims.

	<u>2011</u>	<u>2010</u>
<b>Beginning Balance</b>	<b>6,636,401</b>	<b>10,462,475</b>
Incurrd Loss:		
Current Year	1,785,000	2,876,044
Prior Year	<u>(3,385,364)</u>	<u>(4,341,434)</u>
<b>Change in Total Incurred</b>	<b><u>(1,600,364)</u></b>	<b><u>(1,465,390)</u></b>
 Paid:		
Current Year	233,081	584,493
Prior Year	<u>(1,932,329)</u>	<u>1,776,191</u>
<b>Total Paid</b>	<b><u>(1,699,248)</u></b>	<b><u>2,360,684</u></b>
 <b>Balance at June 30</b>	<b><u><u>6,735,285</u></u></b>	<b><u><u>6,636,401</u></u></b>

**10. OPERATING LEASE COMMITMENT**

On September 4, 2008, the Pool entered into a seven year commitment to lease office space. The lease commenced in February 2009 at which time the Pool occupied the premises. The Pool paid **\$75,516** under the lease commitment, for the current year, as of the quarter ending June 30, 2011. Future minimum rental commitments for the building operating lease are as follows:

2011	\$ 129,456
2012	132,696
2013	136,674
2014	140,680
2015	144,866
Thereafter	<u>24,262</u>
<b>Total minumim lease payments</b>	<b><u><u>\$ 708,634</u></u></b>





# Utah Counties Insurance Pool

Net Assets (Trend)

As of June 30, 2011

	Jun 30, 2011	Mar 31, 2011	Dec 31, 2010	Sep 30, 2010	Jun 30, 2010	Mar 30, 2010	Dec 31, 2009
<b>ASSETS</b>							
<b>Current Assets</b>							
Total Checking/Savings	11,776,166	13,704,125	9,076,334	10,482,772	11,839,255	12,536,851	12,714,398
Accounts Receivable	205,436	218	1,517,631	44,883	292,971	219,784	143,260
Excess Recoverable	145,492	145,492	145,492	172,444	185,874	302,315	700,871
Prepaid Reinsurance	907,547	824,020	219,632	547,842	1,049,174	828,325	217,004
<b>Total Current Assets</b>	<b>13,034,640</b>	<b>14,673,856</b>	<b>10,959,089</b>	<b>11,247,941</b>	<b>13,367,273</b>	<b>13,887,275</b>	<b>13,775,533</b>
<b>Fixed Assets</b>							
Capital Assets	289,511	289,511	289,510	272,828	272,828	276,690	275,685
Accumulated Depreciation	(194,910)	(188,985)	(183,060)	(194,825)	(187,811)	(180,797)	(173,292)
Land	494,446	494,446	494,446	494,446	494,446	494,446	494,446
Capital (CRL)	587,267	587,267	587,263	362,335	362,335	362,335	367,844
Security Deposit	11,336	11,336	11,336	11,336	11,336	11,336	11,336
<b>Total Fixed Assets</b>	<b>1,187,650</b>	<b>1,193,575</b>	<b>1,199,495</b>	<b>946,119</b>	<b>953,133</b>	<b>964,010</b>	<b>976,019</b>
<b>TOTAL ASSETS</b>	<b>14,222,291</b>	<b>15,867,431</b>	<b>12,158,584</b>	<b>12,194,061</b>	<b>14,320,406</b>	<b>14,851,284</b>	<b>14,751,552</b>
<b>LIABILITIES &amp; EQUITY</b>							
<b>Liabilities</b>							
Reserves	6,735,285	6,754,480	6,636,401	6,622,414	6,871,881	6,521,989	10,462,475
Unearned Premiums	2,973,369	4,460,053	719,028	1,422,573	2,845,147	4,267,720	-
Accounts Payable	-	57,358	28,012	17,503	405,275	22,984	7,242
Payroll Liabilities	2,384	1,278	1,450	1,000	992	992	1,551
Sick Payable	18,017	16,868	16,660	14,726	14,726	14,726	17,614
Vacation Payable	21,535	17,432	12,107	10,682	10,682	10,682	12,873
<b>Total Liabilities</b>	<b>9,750,591</b>	<b>11,307,469</b>	<b>7,413,658</b>	<b>8,088,897</b>	<b>10,148,701</b>	<b>10,839,091</b>	<b>10,501,754</b>
<b>Equity</b>							
Capital Assets	600,897	600,897	600,897	596,840	596,840	596,840	596,840
Unrestricted	4,143,570	4,143,570	3,648,901	3,652,959	3,652,959	3,652,959	2,144,454
Net Income	(272,767)	(184,505)	495,129	(144,635)	(78,094)	(237,606)	1,508,504
<b>Total Equity</b>	<b>4,471,700</b>	<b>4,559,962</b>	<b>4,744,927</b>	<b>4,105,164</b>	<b>4,171,705</b>	<b>4,012,193</b>	<b>4,249,798</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>14,222,291</b>	<b>15,867,431</b>	<b>12,158,585</b>	<b>12,194,061</b>	<b>14,320,406</b>	<b>14,851,284</b>	<b>14,751,552</b>



## **JOINT POLICY**

### **BOARD TRAVEL EXPENSES**

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Article 5, Section 11, of the UCIP Bylaws states: "To the extent permitted by law, Trustees may be reimbursed for expenses incurred in the performance of their duties, as authorized by the Board."

#### **BOARD TRAVEL EXPENSES**

Members of the UCIP Board of Trustees (Board) will be reimbursed for reasonable and approved expenses incurred in attending Board meetings and in otherwise carrying out their responsibilities. UCIP will reimburse Trustees for travel by private vehicle at the rate currently allowed by the Internal Revenue Service, as well as for lodging and meals at actual cost, within the guidelines for travel and expense reimbursement adopted by the State of Utah Department of Finance.

Trustees who miss more than one-third of a meeting or retreat must be excused by the Board of Trustees in order to be reimbursed for expenses.

Trustees may annually attend two of the following out-of-state trainings: the AGRIP Spring Conference, RIMS Annual Convention, RIMS Technical Workshops, PRIMA National Conference, AGRIP Fall Governance Conference and the ARM Tech Biennial Conference. UCIP will directly pay training registration, airfare and lodging for the dates of the training and up to two travel days for Trustees arranging travel through the UCIP office. Trustees will be paid per diem for out-of-state meals and incidental expenses for each day of the training and travel day(s) pursuant to the rates published by the Office of Government Policy, General Services Administration. Trustees will also be compensated for necessary transportation expenses between the airport and lodging. Receipts for airfare, lodging and necessary transportation, paid by the Trustee, are required for reimbursement. Reimbursement is made based on the least expensive method of travel. A written statement by the Trustee will be required in place of a lost receipt. The Board may also by resolution designate other training as appropriate and reimbursable for Trustees.

Expenses for spouses who accompany Trustees to UCIP meetings or to approved out-of-state training are the responsibility of the Trustee. UCIP will invoice Trustees for any spouse expenses paid by UCIP.

#### **TIMELINESS**

Requests for reimbursement shall be submitted within 60 days of completion of trip.





## FY 2011 Per Diem Rates for Georgia

(October 2010 - September 2011)

Cities not appearing below may be located within a county for which rates are listed.

To determine what county a city is located in, visit the [National Association of Counties \(NACO\) website \(a non-federal website\)](#).

You searched for: Georgia														
Primary Destination* (1)	County (2, 3)	Max lodging by Month (excluding taxes)												Meals & Inc. Exp.**
		2010 Oct Nov Dec			2011 Jan Feb Mar Apr May Jun Jul Aug Sep									
Standard Rate	Applies for all locations without specified rates	77	77	77	77	77	77	77	77	77	77	77	77	46
Athens	Clarke County	93	93	93	93	93	93	93	93	93	93	93	93	46
Atlanta	DeKalb County, Cobb County, Fulton County	132	132	132	132	132	132	132	132	132	132	132	132	56
Augusta	Richmond County	84	84	84	84	84	84	84	84	84	84	84	84	51
Columbus	Muscogee County	85	85	85	85	85	85	85	85	85	85	85	85	46
Jekyll Island / Brunswick	Glynn County	136	136	92	92	92	92	136	136	136	136	136	136	56
Savannah	Chatham County	97	97	97	97	97	97	97	97	97	97	97	97	56



## Meals and Incidental Expenses ( M&IE) Breakdown

The following table shows the breakdown of continental breakfast/breakfast, lunch, and dinner components of the maximum daily reimbursement (per diem) rates for meals and incidental expenses while on travel. Refer to [Section 301-11.18 of the Federal Travel Regulation](#) for guidance on deducting these amounts from your per diem reimbursement claims for meals furnished to you by the government.

**NOTE:** The first and last calendar day of travel is calculated at 75 percent.

The M&IE rates differ by travel location. View the [per diem rate](#) for your primary destination to determine which M&IE rates apply.

M&IE Total	\$46	\$51	\$56	\$61	\$66	\$71
Continental Breakfast/ Breakfast	\$7	\$8	\$9	\$10	\$11	\$12
Lunch	\$11	\$12	\$13	\$15	\$16	\$18
Dinner	\$23	\$26	\$29	\$31	\$34	\$36
Incidentals	\$5	\$5	\$5	\$5	\$5	\$5
First & Last Day of Travel	\$34.50	\$38.25	\$42	\$45.75	\$49.50	\$53.25

The shortcut to this page is [www.gsa.gov/mie](http://www.gsa.gov/mie).



Utah Counties Insurance Pool  
2010-2011, 2012-2013, 2014-2015, 2016-2017

### 2010 WCF Program Premium Audit Summary

	WCF Audited Premium	WCF Deposit Premium	WCF Premium DUE	UCIP Audited Premium	UCIP Deposit Premium	Premium Due
Box Elder	\$ 92,753.17	\$ 95,520.76	\$ (2,767.59)	\$ 95,490.70	\$ 103,879.00	\$ (8,388.30)
Daggett	27,191.94	\$ 23,824.28	\$ 3,367.66	\$ 24,513.97	21,701.00	\$ 2,812.97
Duchesne	59,217.43	\$ 59,844.46	\$ (627.03)	\$ 59,217.43	60,331.00	\$ (1,113.57)
Garfield	36,796.45	\$ 32,531.98	\$ 4,264.47	\$ 33,180.66	29,572.00	\$ 3,608.66
Iron	117,670.33	\$ 118,308.81	\$ (638.49)	\$ 169,766.63	173,511.00	\$ (3,744.37)
Juab	25,997.89	\$ 30,430.45	\$ (4,432.56)	\$ 29,808.63	35,171.00	\$ (5,362.37)
Kane	36,082.91	\$ 36,765.60	\$ (682.69)	\$ 60,906.37	63,208.00	\$ (2,301.63)
Millard	77,121.74	\$ 75,129.87	\$ 1,991.87	\$ 77,121.74	75,799.00	\$ 1,322.74
Morgan	20,756.50	\$ 28,652.38	\$ (7,895.88)	\$ 18,725.81	26,060.00	\$ (7,334.19)
Piute	7,634.96	\$ 8,028.19	\$ (393.24)	\$ 10,261.43	10,971.00	\$ (709.57)
Rich	12,450.27	\$ 10,742.43	\$ 1,707.84	\$ 13,673.59	11,921.00	\$ 1,752.59
San Juan	57,637.91	\$ 65,439.48	\$ (7,801.57)	\$ 51,987.75	59,495.00	\$ (7,507.25)
Sanpete	37,433.24	\$ 29,145.03	\$ 8,288.21	\$ 37,433.24	29,221.00	\$ 8,212.24
Sevier	57,563.29	\$ 63,479.45	\$ (5,916.16)	\$ 51,909.06	57,763.00	\$ (5,853.94)
Tooele	183,098.27	\$ 181,225.88	\$ 1,872.39	\$ 165,097.54	164,864.00	\$ 233.54
Washington	191,244.35	\$ 200,554.83	\$ (9,310.48)	\$ 181,863.69	192,224.00	\$ (10,360.31)
Wayne	10,487.84	\$ 9,262.54	\$ 1,225.30	\$ 7,572.52	9,786.00	\$ (2,213.48)
Weber	425,182.44	\$ 415,656.81	\$ 9,525.64	\$ 383,409.36	378,218.00	\$ 5,191.36
UCIP	631.63	\$ 643.81	\$ (12.18)	\$ 631.63	552.00	\$ 79.63
<b>Totals</b>	<b>\$ 1,476,952.57</b>	<b>\$ 1,485,187.05</b>	<b>\$ (8,234.48)</b>	<b>\$ 1,472,571.74</b>	<b>\$ 1,504,247.00</b>	<b>\$ (31,675.26)</b>





**RESOLUTION APPROVING APPLICATION FOR RECOGNITION IN THE  
ASSOCIATION OF GOVERNMENTAL RISK POOLS (AGRiP) ADVISORY  
STANDARDS PROGRAM**

WHEREAS, the Utah Counties Insurance Pool (UCIP) is a member of the Association of Governmental Risk Pools (AGRiP or Association); and

WHEREAS, AGRiP has developed a program recognizing governmental risk pools which operate under advisory standards and best practices developed by the Association; and

WHEREAS, UCIP has gained such recognition continuously since 2004; and

WHEREAS, the Board of Trustees of UCIP desires to continue to be recognized by the Association as operating in accordance with such standards and best practices.

NOW, THEREFORE, be it resolved, by the Board of Trustees of UCIP that they approve application to AGRiP for recognition in the Association's Advisory Standards Program.

RESOLVED, ADOPTED AND ORDERED this 15 day of September, 2011.

BOARD OF TRUSTEES  
UTAH COUNTIES INSURANCE POOL

By: \_\_\_\_\_  
W. Kay Blackwell  
President

**AGRiP**  
**Advisory Standards Recognition**  
**Application**  
**(SELF-EVALUATION FORM)**  
**(OCTOBER 2009 VERSION)**

Name of Pool

City, State

Utah Counties Insurance Pool (UCIP)

South Jordan, Utah

Note to applicant: The AGRiP Advisory Standards Recognition Application seeks to determine if your pool's documented policies and practices, its organizational (foundational or organic) documents, as well as all contracts or agreements with outside providers, meet AGRiP's standard for Recognition. The application fee is \$600.00.

Please read the Explanation section following each statement of the AGRiP Advisory Standard to determine what information is sought to determine your pool's compliance with the relevant AGRiP standard. When asked for appropriate documents in the Explanation section that follows each of Standard, please cite or refer to any relevant:

- federal or state rules or laws,
- organizational documents,
- governing body promulgated policies and procedures, resolutions and minutes,
- member adopted bylaws including amendments
- contracts, agreements, etc., or
- other relevant documents not listed here.

<b>I. GOVERNMENT REGULATIONS</b>
----------------------------------

The AGRiP Advisory Standards covering Government Regulations address the legal requirements placed on pool formation and operation.

- I-A. Pool files contain signed formation (foundational or organic) documents (such as articles of incorporation, interlocal agreements, etc.). These files also contain records that these documents and any subsequent revisions were properly filed with appropriate local, state and national authorities.

This requirement may be met by citing governing documents referenced above. Tell us what agency the documents were filed with and when, as well as the dates the originals were signed and the dates of any revisions. Or, tell us why this Standard is not applicable.

Response:

UCIP is an interlocal agency formed under Utah Code Ann. §11-13-101 et.seq. Member Boards must pass a resolution making them a party to the Interlocal Cooperation Agreement. Signed originals and any amendments to the ICA must be filed with the Clerk of each member. Copies of each resolution and Interlocal Agreement are kept on file by the Pool. There are no state requirements for filing. Original documents signed with effective date of January 1, 1992. Amendments signed with effective dates of 8/21/03, 6/2/06, 1/1/07 and 1/1/09.

- I-B. The pool maintains documents reflecting its federal and state tax status, and if applicable, timely files applicable tax returns.

This requirement may be met by citing specific sections or provisions of appropriate documents such as tax statutes or, if your pool is tax exempt, private letters from the IRS. Please tell us the date of most recent tax return. Or, tell us why this Standard is not applicable.

Response:

As a political subdivision, UCIP is exempt from state taxes under U.C.A §11-17-10 and 59-2-1101. UCIP is exempt from federal taxes under Section 115 of the income tax code. UCIP maintains evidence of federal tax status.

- I-C. The pool files timely reports in whatever form required by the state of domicile and maintains copies of the reports.

This requirement may be met by listing any required reports. Please cite the date of the most recent report filings and the agency where it is filed. Or, tell us why this Standard is not applicable.

Response:

State Auditor requires: a) Public Hearing on annual budget – last held on 12/16/10; b) Budget must be filed by January 1 each year – last filed 1/1/11; and c) independent auditor's report must be filed with State Auditor – last filed 5/27/11.

I-D. The pool complies with all regulatory requirements and its records reflect compliance.

This requirement may be met by citing any regulatory requirements affecting your pool. Tell us how you comply with these rules. Refer to any records you keep that reflect your compliance. Or, tell us why this Standard is not applicable.

Response:

U.C.A. §11-13-101, Interlocal Cooperation Act, Provides no specific operating rules for interlocal agencies. The Utah Insurance Code §31A-1-103 paragraph 7 exempts public agency insurance mutuals from the insurance code. UCIP meets the definition of public agency insurance mutual under the code.

## II. GOVERNING DOCUMENTS

The AGRiP Advisory Standards covering Governing Documents recognize that proper operations flow from adequate governing documents.

II-A. The pool's governing documents comply with applicable laws and the pool maintains signed originals of the pooling agreement with every member.

This requirement may be met by telling us the state authority under which you were formed and currently operate and by affirming that pooling agreement documents are on file.

Response:

UCIP is an interlocal entity formed under U.C.A §11-13-101 et. seq. Member governing boards must pass a resolution making them a party to the UCIP Interlocal Cooperation Agreement. Signed originals of the UCIP Interlocal Cooperation Agreements are kept on file at UCIP's offices and with each member's county clerk's office. Original Agreement was effective 1/1/92 with amendments effective 8/21/03, 6/2/06, 1/1/2007, and 1/1/2009.

II-B. GOVERNING DOCUMENTS:

The following table is designed for you to tell us about your governing documents. Please cite specific sections or provisions of governing documents dealing with the following criteria. For example if your pool was formed under an interlocal agreement and if membership in the pool is addressed in the interlocal agreement you would simply cite the relevant section of the interlocal agreement to answer number 1.

The governing documents contain provisions that address:	Section or Provision of Governing Document
1. Membership eligibility criteria	<u>Interlocal Section 4.1 &amp; Section 10</u>
2. Obligations of members	<u>Bylaws Article 4.7</u>
3. Membership termination	<u>Interlocal Section 11, Bylaws Article 8</u>
4. Selection procedures and qualifications for the pool's governing body	<u>Interlocal Section 5.1 to 5.11</u>
5. Powers and duties of the governing body	<u>Interlocal Section 5.12 &amp; Section 7,</u>

- and committees Bylaws Article 5
6. Indemnification for liability of members of the governing body, officers, committee members and staff of the pool Interlocal Section 13, Bylaws Article 11
7. Use and ownership of assets of the pool and how the pool may distribute surplus to its members Interlocal Section 9 & Section 12, Bylaws Article 7
8. Assessments – if used by the pool Interlocal Section 8
9. Actuarial reviews Bylaws Article 5.1(d)
10. Financial audits Bylaws Article 5.1(b)
11. Dissolution of the pool Interlocal Section 12, Bylaws Article 10
- II-C. The practices of the pool are in compliance with its governing documents.
- Explain how this requirement is met.

Chief Executive Officer reviews all agreements, contracts, applications and policy changes to assure compliance with governing documents. Appropriate sections of governing documents provided with Board agenda packets to assure compliance. County Attorney Board Member reviews compliance with governing documents during board meetings. Independent Auditor reviews and reports on compliance with governing documents. Chief Executive reports on compliance with governing documents as part of annual report to Members.

### III. STAFF AND SERVICE PROVIDERS

The AGRiP Advisory Standards covering Staff and Service Providers recognize the common practice of employing staff and using outside or third-party providers.

- III-A. If the pool employs a staff, there is documentation of the pool's authority regarding employment of staff. Such documentation addresses authority for terms of employment, scope of staff authority, conflict of interest and indemnification for liability.

This requirement may be met by citing specific sections or provisions of appropriate documents dealing with employment of staff and related issues. Or, tell us why this Standard is not applicable.

Response:

Employment of staff and delegation of authority to CEO is authorized in the UCIP Bylaws Article 5.12.a & 5.12.f. Conflict of Interest addressed in Bylaws Article 14. Indemnification of employees addressed in Interlocal Section 13 and Bylaws Article 11.

- III-B. Unless provided by its own staff, the Pool has signed contracts with service providers for Administration, Insurance Brokerage, Risk Control, Investment Management, Claims Administration, and Sales, Marketing or Service.

Explain how this requirement is met by describing the services being provided. *If the services are provided "in-house" rather than by a contractor enter "in-house" under "contractor".*

	<u>Contractor</u>	<u>Services Provided</u>	<u>Effective Date of Current Contract</u>
1. Administrator	<u>In-House</u>		
2. Insurance Broker	<u>In-House</u>		
3. Risk Control	<u>In-House</u>		

4. Investment Manager In-House
5. Claims Administrator In-House
6. Producer and/or Agent In-House  
for Sales, Marketing, or Service

### III-C. SERVICE PROVIDER CONTRACTS:

The requirements of Section III-C may be met by citing specific sections of the service provider contracts listed in III-B that address the following provisions and requirements or state why such provisions and requirements do not need to be addressed. *If the services are provided "in-house" rather than by a contractor enter "in-house" under "contractor".*

#### III-C-1. Term of Contract

##### Contract Section(s)

1. Administrator
2. Insurance Broker
3. Risk Control
4. Investment Manager
5. Claims Administrator
6. Producer and/or Agent  
for sales and/or marketing, or service

#### III-C-2. Scope of services and responsibilities of contractors

##### Contract Section(s)

1. Administrator
2. Insurance Broker
3. Risk Control
4. Investment Manager
5. Claims Administrator
6. Producer and/or Agent  
for sales and/or marketing, or service

#### III-C-3. Compensation of the Provider or Contractor

##### Contract Section(s)

1. Administrator
2. Insurance Broker
3. Risk Control
4. Investment Manager
5. Claims Administrator

6. Producer and/or Agent  
for sales and/or marketing, or service

III-C-4. Periodic Reporting to the Pool

Contract Section(s)

1. Administrator
2. Insurance Broker
3. Risk Control
4. Investment Manager
5. Claims Administrator
6. Producer and/or Agent  
for sales and/or marketing, or service

III-C-5. Ownership and confidentiality of pool information and data

Contract Section(s)

1. Administrator
2. Insurance Broker
3. Risk Control
4. Investment Manager
5. Claims Administrator
6. Producer and/or Agent  
for sales and/or marketing, or service

III-C-6. Compliance with pool and state conflict of interest policy and/or regulations

Contract Section(s)

1. Administrator
2. Insurance Broker
3. Risk Control
4. Investment Manager
5. Claims Administrator
6. Producer and/or Agent  
for sales and/or marketing, or service

III-C-7. Indemnification of the pool for the provider's negligence and proof of errors and omissions insurance

Contract Section(s)

1. Administrator
2. Insurance Broker
3. Risk Control
4. Investment Manager
5. Claims Administrator
6. Producer and/or Agent  
for sales and/or marketing, or service

III-C-8. Assignability

Contract Section(s)

1. Administrator
2. Insurance Broker
3. Risk Control
4. Investment Manager
5. Claims Administrator
6. Producer and/or Agent  
for sales and/or marketing, or service

III-C-9. Competition between the service provider and the pool during and after the contract

Contract Section(s)

1. Administrator
2. Insurance Broker
3. Risk Control
4. Investment Manager
5. Claims Administrator
6. Producer and/or Agent  
for sales and/or marketing, or service

III-C-10. Cancellation, including runoff provisions for claims contractors

Contract Section(s)

1. Administrator
2. Insurance Broker
3. Risk Control
4. Investment Manager
5. Claims Administrator
6. Producer and/or Agent  
for sales and/or marketing, or service

- III-C-11. The method of compensation of the Producer and/or Broker/Agent engaged by the pool for sales and/or marketing is communicated to pool governing body, pool staff, current members and/or prospective members in a clear, concise and timely manner.

This requirement may be met by citing specific sections or provisions of appropriate documents such as governing board adopted policies and procedures, or contracts and agreements with providers that mandate this policy. The focus of this Standard is disclosure of incentive (production) based compensation. Please tell us at what point in time during the process the Producer and/or Broker/Agents discloses the cost of



compensation (commission if applicable) to the pool governing body, pool staff, members, and/or prospective members. Or tell us why this Standard does not apply to your pool.

**UCIP does not use producers or agents. No commissions are charged to members.**

III-C-12 The pool has a Service Providers' Bill of Rights.

This requirement may be met by affirming that the pool has adopted a Service Providers' Bill of Rights that is generally consistent with the AGRiP Model Service Providers' Bill of rights. Please provide the adoption date of the Bill of Rights and the date of the latest revision. Or tell us why this Standard is not applicable.

Response:

**UCIP provides all services in-house. Utah's State Procurement Code regulates bidding requirements and relationships with contracted service providers for any incidental services UCIP may need to secure.**

III-D. The pool obtains independent legal advice as necessary.

Explain how this requirement is met by telling us the following:

- a. how legal service is obtained  
**CEO requests specific assistance from approved firms.**
- b. how legal service is retained  
**No specific legal consultant retained, Attorneys on Board provide majority of legal advise to Board, Board instructs CEO to retain outside counsel on specific issues when necessary.**
- c. how the scope of service is determined  
**CEO outlines services required in solicitation letter to firm.**

Or, tell us why this Standard does not apply to your pool.

#### IV. MEMBER SERVICES

The AGRiP Advisory Standards covering Member Services recognize the added value many members expect from the pool. The programs that your pool provides and how you communicate with your members is covered in these Standards.

IV-A. The pool communicates policy decisions, actions of the governing body and other activities to its members through annual reports, regular newsletters and/or other media.

This requirement may be met by telling us about your annual reports and/or other media. If you have written bylaws or policies that mandate how you communicate with your members, list those as well. Or, tell us why this Standard does not apply to your pool.

Response:

**Annual Membership meeting includes report to members on actions of the Board related to policy changes, amendments to Bylaws and other significant actions. Activities of Board and staff communicated on website and in quarterly newsletter. Annual Audit reported provided to each member, and CEO provides financial report to County Auditor's at their annual conference.**

IV-B. The pool keeps minutes of all meetings of its governing body and substantive committees and distributes or makes them available to all members.

This requirement is met by citing specific sections or provisions of appropriate documents that require minutes and/or record keeping, such as bylaws or board policies. Or, tell us why this Standard is not applicable.

Response:

As a political subdivision of the State of Utah, UCIP is governed by the Utah Open and Public Meetings Act, which regulates the production, approval and maintenance of meeting minutes. Independent auditor reviews compliance as part of regulatory compliance review.

- IV-C. The pool conducts educational programs for its members addressing safety, risk management and other appropriate topics; and the pool has mechanisms to encourage member participation in such activities.

This requirement may be met by listing your safety, risk management and other educational programs. Please indicate in your list the most recent programs offered, including dates, topics and methods used in your educational programs. Please cite methods for encouraging member participation in these programs. Or, tell us why this Standard is not applicable.

Response:

UCIP conducts the following annual member seminars and workshops:

Facilities Management Conference – March 22 & 23, 2011

Insurance Coordinators Training – April 12, 2011

Special Events/Fair Risk Management – April 21, 2011

Planning & Zoning Conference – April 26 & 27, 2011

Personnel Workshop – May 11 & 12, 2011

County Risk Management Conference – August 16 & 17, 2011

Attendance at these training sessions is tracked and reported to member governing boards. Member contributions may be credited or debited based on attendance records. Individuals attending all training are recognized. In addition to conferences and workshops, UCIP Loss Control Manager provides member on-site training on various issues including sexual harassment, occupational safety, and defensive driving.

- IV-D. The pool provides risk control and/or loss prevention services, supports risk management among its members, and promotes effective risk management and loss prevention practices among its members.

This requirement may be met by listing your risk control and/or loss prevention services and the programs sponsored by your pool that support risk management among your members. If you have written bylaws or policies that mandate these programs list those as well. Or, tell us why this Standard is not applicable.

Response:

UCIP employees a full time Loss Control Manager. Members have been provided with Best Practices Program. Member contributions may be credited or debited based on compliance with loss control best practices and recommendations. UCIP Bylaws Article 9 provides for involuntary termination of a member for failure to follow or implement UCIP loss control recommendations.

- IV-E. The pool conducts annual loss prevention and risk control surveys and/or inspections.

This requirement may be met by listing loss control services provided to your members and how often they are offered. Or, tell us why this Standard is not applicable.

Response:

Loss Control Manager conducts annual on-site loss control surveys. Annual on-site safety inspections conducted by Safety Specialists of the Workers Compensation Fund under joint purchase program.

- IV-F. If property coverage is provided, the pool maintains accurate records of members' property values.

This requirement may be met by telling us how you keep accurate records of members' property values. If you have written bylaws or policies that mandate this practice, list those as well. Or, tell us why this Standard is not applicable.

Response:

UCIP maintains an electronic schedule of values for all member properties. Members are asked annually to review and update their schedules, and are able to update and make changes through the website. All properties were appraised by a certified appraisal company during a three year project running 2008 through 2010. Property values are increased by the replacement cost index factors produced by Marshall Swift Boech system.

## V. COVERAGES

The AGRiP Advisory Standards covering policy coverage, measure your pool's policies and practices, both internally provided to members and "stop-loss", or other catastrophic coverage obtained externally by the pool.

V-A. The pool regularly reviews insurance market trends, competition, coverage and pricing.

This requirement may be met by telling us how, and how often, you review market trends, competition, coverage and pricing. If you have written bylaws or policies that mandate this practice, list those as well. Or, tell us why this Standard is not applicable.

Response:

CEO subscribes to Business Insurance to track industry trends and coverage. Reinsurer (CRL) provides industry update and information on competition to CEO at semi-annual meetings and via email. CEO attends statewide PRIMA meetings and communicates with local brokers and agents to monitor competition and market trends.

V-B. The pool has written, objective underwriting and/or rating procedures that relate to the exposures covered and the losses experienced by pool members.

This requirement may be met by citing specific sections of your written underwriting and/or rating procedures or other documents. Or, tell us why this Standard is not applicable.

Response:

Actuary is engaged annually to provide rate adequacy report with recommended rate adjustments by line of coverage. Rate adequacy report is reviewed by Board of Trustees for adoption of rate changes. Board policy is to adopt rates to develop contributions equaling or exceeding the actuary's expected loss and expense. Underwriting exposures used include standard ISO rating units. Member 5 year loss experience reviewed as part of annual rating process. Most recent actuarial rate review provided 8/5/2011.

V-C. The pool provides appropriate coverage documents to its members.

This requirement may be met by listing your coverage documents provided to your members. If you have written bylaws or policies that mandate this practice, list those as well. Or, tell us why this Standard is not applicable.

Response:

Interlocal Section 5.12.d requires Board to adopt and adjust coverages provided by or through the pool. Board maintains a Coverage Addendum to its Bylaws outlining coverages to members. Members are provided hard copy of Coverage Addendum annually. Governance Committee of the Board considers all recommended changes to coverage at least annually. Recommendations are

provided by CEO and or excess carrier. Excess carrier (CRL) provides model coverage language and reviews pool coverage documents.

V-D. The pool communicates changes in coverage to its members.

This requirement may be met by listing how your pool communicates coverage changes to its members. If you have written bylaws or policies that mandate how you communicate coverage changes to your members, list those as well. Or, tell us why this Standard is not applicable.

Response:

All changes in coverage must be approved by 2/3 vote of Board of Trustees. Member Insurance Coordinators are notified in writing of all changes to coverage prior to effective date. Coverage changes are reviewed at annual membership meeting and in greater detail at annual Insurance Coordinator's Workshop.

V-E. The pool has a resolution process for claims and coverage disputes with its members.

This requirement may be met by citing specific sections or provisions of appropriate documents. Or, tell us why this Standard is not applicable.

Response:

Bylaws Article 12 and Coverage Addendum Part II.E require Arbitration of disputes.

V-F. The pool has a strategy to deal with funding catastrophic losses to prevent financial impairment.

Explain how this requirement is met. Common strategies include policies on fund balance levels, protection of surplus and the use of "stop-loss" or reinsurance. If you have written documentation on this topic, please cite specific sections or provisions. Or, tell us why this Standard is not applicable.

Response:

UCIP maintains specific excess insurance through a mutual excess carrier (CRL) for all lines of coverage with limits adequate to cover catastrophic loss, including loss involving multiple members.

V-G. If the pool purchases excess and/or reinsurance or uses other forms of risk transfer or risk sharing, it maintains files of all related current and former binders, correspondence, policies, endorsements and certificates and makes copies of such policies available to all members who so request.

Explain how your pool meets this requirement. Or, tell us why this Standard is not applicable.

Response:

All excess policies are maintained at UCIP offices, and are tracked on Excess Policy History worksheet in excel format. Members are provided copies of excess policies upon request.

V-H. The pool provides certificates or other evidence of coverages to all members and others.

Explain how this requirement is met. If you have written bylaws or policies that mandate this practice, list those as well. Or, tell us why this Standard is not applicable.

Response:

**UCIP staff provides certificates at request of member and in accordance with the Utah Property and Casualty Certificate of Insurance Act.**

- V-I. If the pool purchases excess and/or reinsurance, the pool makes periodic evaluations of the quality, stability and financial solvency of all insurance providers.

Explain how this requirement is met. If you have written bylaws or policies that mandate this practice, list those as well. Or, tell us why this Standard is not applicable.

Response:

**Excess coverages are provided by County Reinsurance Limited (CRL), a county pool mutual domiciled in Vermont. CEO attends annual meetings of the mutual, and receives quarterly financial statements to monitor financial strength.**

- V-J. The pool insures or self-insures its administrative and operational risks, including errors and omissions, general and auto liability, workers' compensation, property, employee fidelity and fiduciary liability.

Explain how this requirement is met. If you have specific sections or provisions of appropriate documents such as written bylaws or policies that mandate this practice, please list those as well. Or, tell us why this Standard is not applicable.

Response:

**UCIP secures errors and omissions liability insurance for its administrative and operational risks. UCIP secures bonds for employee dishonesty at levels by its independent auditors. UCIP is a member of the pool (self-insured) for property, general liability and auto coverage. UCIP participates in the pool's joint purchase program for workers compensation coverage.**

- V-K. If the pool purchases insurance to cover its operational risk exposures, it maintains both current and historical files of policies.

This requirement may be met by affirming that your pool maintains current and historical files of such policies. If you have written bylaws or policies that mandate this practice, list those as well. Or, tell us why this Standard is not applicable.

Response:

**All current and prior policies are securely maintained at the UCIP offices, in compliance with its Records Retention Policy, which requires insurance policies to be perpetually retained.**

- V-L. The pool has developed and implemented processes and procedures relating to protection of electronic data.

This requirement may be met by affirming that your pool maintains implemented processes and procedures relating to protection of electronic data. Electronic data can include, but is not limited to: both internal electronic data storage regardless of the storage format or media and electronic data that is transmitted outside the organization via web sites, email and so forth.

**Electronic data related to claims is stored on software vendor's mainframe (Mountain View Software, a Gallagher Company). Software vendor agreement requires vendor to protect data with sufficient controls and backup systems. UCIP has confirmed vendor uses redundant systems in multiple states to protect data. Non-claims electronic data is maintained on secure server on-site. Server is housed in a secured atmosphere controlled room with special fire suppression system. Loss Control Manager monitors compliance of all transmitted data with Utah Governmental Records Access Management Act and Records Retention Policy.**

**VI. FUNDING**

The AGRiP Advisory Standards covering Funding address your policies and practices in the different aspects of reserve adequacy and loss funding.

- VI-A The pool has a policy requiring an Actuarial study to determine reserve adequacy is conducted and a report is issued annually, signed by a Fellow of the Casualty Actuarial Society or a member of the American Academy of Actuaries, independent of the pool.

This requirement is met by citing specific sections or provisions of appropriate documents such as written bylaws or policies that mandate this practice for each self-funded program. Also list the date of your most recent actuarial report and the name of the actuary. Or, tell us why this Standard is not applicable.

Response:

Bylaws Article 5.1(d) requires annual actuarial review of the pool. This review includes a Reserve Adequacy and Rate Adequacy analysis. Reserve adequacy is reviewed and estimated quarterly by the actuary. UCIP currently uses By the Numbers Actuarial Consultants for actuarial services. Most recent reviews completed May 3, 2011 for fiscal year end 12/31/2010. Most recent quarterly estimate of reserves completed 8/5/2011 for quarter ending 6/30/2011. Actuarial reports provided by By the Numbers Actuarial Consulting.

- VI-B. The pool allocates funding for losses, loss development, incurred but not reported losses, loss adjustment expenses, unallocated loss adjustment expenses and adverse experience at a level set by the governing body based on advice of a Fellow of the Casualty Actuarial Society or a member of the American Academy of Actuaries.

Tell us how you comply with this standard. Tell us if all the components in the above Advisory Standard are funded at the recommended amount. Or, tell us why this Standard is not applicable.

Response:

Bylaws Article 5.1(d) requires annual actuarial review of reserves. Report provided to UCIP Board of Trustees includes allocation of funding for losses, loss development, incurred but not reported losses, loss adjustment expenses, unallocated loss adjustment expenses and adverse experience at several confidence levels. UCIP Board of Trustees adopted policy effective January 15, 2004 to fund losses, loss development, IBNR, ALAE, ULAE and adverse experience at the "Recommended" level provided by the actuary. UCIP currently utilizes By the Numbers Actuarial Consultants for actuarial services. All BYNAC reports are reviewed and signed by a Fellow of the Casualty Actuarial Society.

## VII. FINANCIAL MANAGEMENT

The AGRiP Advisory Standards covering Financial Management recognize the vital role that management of financial resources play in the vibrancy of a pool.

- VII-A. The governing body of the pool adopts an annual budget.

This requirement may be met by citing specific sections or provisions of appropriate documents such as written bylaws or policies that mandate this practice. Please tell us the effective date of the last budget adopted. Or, tell us why this Standard is not applicable.

Response:

Bylaws Article 5.1(e) requires the board to adopt an annual budget. Adoption of an annual budget is also required by the Utah Uniform Fiscal Procedures Act. The act also requires the budget be filed with the State Auditor's Office. Current budget adopted December 16, 2010.

- VII-B. The pool has a written policy that addresses preparation of pool financial statements in accordance with generally accepted accounting principles as applied to pools or as required by state law.



This requirement may be met by citing specific sections or provisions of appropriate documents such as written bylaws or policies that mandate this practice. Or, tell us why this Standard is not applicable.

Response:

- VII-C. The pool's accounting policy addresses adherence to accounting standards promulgated by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, and any applicable state regulatory body.

This requirement may be met by citing specific sections or provisions of appropriate documents setting forth accounting policy. Or, tell us why this Standard is not applicable.

Response:

UCIP Bylaws Article 5.1(c) requires quarterly financial statements. UCIP Interlocal Agreement Section 3.1 requires compliance with all applicable laws of the State of Utah. As a governmental agency, UCIP is required to comply with the State Auditor's Uniform Accounting Manual, which requires GASB reporting.

- VII-D. An annual audit of the pool's financial records is conducted by a qualified independent certified public accountant or state audit agency that issues a signed opinion regarding the financial statements.

This requirement may be met by citing specific sections or provisions of appropriate documents requiring an annual audit. Please provide the date of the most recent audit. Or, tell us why this Standard is not applicable.

Response:

UCIP Bylaws Article 5.1(b) requires annual audit by an independent certified public accountant. Engagement Letter with the CPA firm requires signed opinion on financial statements. Utah Code requires annual independent audit to be filed with the State Auditor. State Auditor reviews audit report and provides UCIP Board of Trustees with letter of management concerns. Most recent audit completed 4/12/2011 for fiscal year end 12/31/10.

- VII-E. The audit includes an independent auditor's report on internal controls.

This requirement may be met by citing appropriate sections of the most recent audit. Or, tell us why this Standard is not applicable.

Response:

Engagement letter with audit firm includes requirement of review and comment on internal controls. Pages 25 & 26 of most recent audit provide Report on Internal Control Over Financial Reporting and on Compliance and Other Matters.

- VII-F. The pool responds to any reportable conditions in the audit report on internal controls within a reasonable period of time.

This requirement may be met by citing the pool's response. Please tell us how recommendations contained in Management Letters are addressed. Or, tell us why this Standard is not applicable.

Response:

Bylaws Article 5.1(g) requires Audit Committee to review audit report and make recommendations to the Board of Trustees. Board provides direction to CEO on recommendations. CEO develops

Management Response to recommendations which is required to be filed with the State Auditor within 6 months of the end of the fiscal year.

VII-G. Financial reports of the pool are distributed to or otherwise made available to pool members.

Tell us how you meet this standard. Please tell how members obtain copies of financial reports. Or, tell us why this Standard is not applicable.

Response:

Bylaws Article 5.1(b) requires the Board of Trustees to provide at least annually an audit of the finances of the Pool performed by an independent certified public accountant. Bylaws Article 5.1(g) requires the Audit Committee to provide an annual report to the members regarding the financial affairs of the pool, which is provided at the Annual Membership Meeting.

VII-H. INVESTMENT POLICIES

VII-H-1. The pool has written policies that provide for annual review of the pool's investment policies by the governing body.

This requirement may be met by citing specific sections or provisions of appropriate documents such as written bylaws or policies that mandate this practice. Please provide the date of your most recent review. Or, tell us why this Standard is not applicable.

Response:

Bylaws Article 5.1(i) requires the Board to adopt and maintain an investment policy as an addendum to the Bylaws to state the manner in which funds of the Pool may be invested. Investment Policy most recently reviewed and updated 6/3/2011.

VII-H-2. The pool has written policies that address explicit delegation of authority regarding investment decisions to appropriate employees or outside investment managers.

This requirement may be met by citing specific sections or provisions of appropriate documents setting forth such policies. If you use an outside investment firm or manager please tell us the following information:

- a. how do you obtain the services of an outside investment firm or manager
- b. once a firm or manager is selected, how are they retained
- c. how they are compensated

Or, tell us why this Standard is not applicable.

Response:

Investment Policy Section V provides for delegation of authority to Audit Committee, CEO, Manager of Administration, staff, Secretary/Treasurer and Investment Manager in compliance with delegation of authority granted under Interlocal Agreement Section 5.12(a)

VII-H-3. The pool has written investment policies that provide for appropriate controls, including those that address separation of duties, safekeeping and custodial procedures.

This requirement is met by citing specific sections or provisions of appropriate documents that address internal control policies and practices along with controls that address safekeeping and custodial procedures. Or, tell us why this Standard is not applicable.

Response:



Investment Policy Section V.A provides for safekeeping and custodial procedures. Investment Policy Section V.C addresses separation of duties.

- VII-H-4. The pool has written policies that provide for a process to monitor its investment activities.

This requirement may be met by citing specific sections or provisions of appropriate documents such as written bylaws or policies setting forth the monitoring process. Or, tell us why this Standard is not applicable.

Response:

Investment Policy Section V.B requires the Chairman of the Audit Committee to report to the Board all decisions and actions taken by the committee. Investment Policy Section XIV charges the Manager of Administration with providing reports on a regular basis to the Audit Committee and at least annual reports to the Board of Trustees of the investment market, investment activity, returns on investments, performance, volatility, number of trades, average maturity, and market sector breakdown of the Pool's investment portfolio.

- VII-H-5. The pool has written policies that address allocation of assets and portfolio diversification consistent with state and federal regulations and prudent investment practices.

This requirement may be met by citing specific sections or provisions of appropriate documents and relevant regulations setting forth applicable investment policies. Or, tell us why this Standard is not applicable.

Response:

Investment Policy Section I requires conformance of all investments with all statutes governing the investment of public funds. Investment Policy Section III requires all investments be made using the "prudent person" standard, and prohibits churning, unnecessary transactions and rebating. Investment Policy Section VIII limits all investments to those authorized by Utah Code 51-7-11. Investment Policy Section XI requires diversification of investments to the degree permitted by the policy and state and local regulation.

- VII-H-6. The pool has written policies that provide for periodic reviews of investment results and comparisons with set goals and external indices.

This requirement may be met by citing specific sections or provisions of appropriate documents setting forth investment goals and their periodic review. Please provide the date of your most recent review. Or, tell us why this Standard is not applicable.

Response:

Investment Policy Section XIII sets out performance standards and market yield benchmarks. Most recent review conducted 5/12/11.

- VII-H-7. The pool has written policies that provide for distribution of reports of investment activities to the pool's governing body at least quarterly.

This requirement may be met by citing specific sections or provisions of appropriate documents such as written bylaws or policies that mandate this practice. Or, tell us why this Standard is not applicable.

Response:

Investment Policy Section XIV charges the Manager of Administration with the responsibility of providing regular reports to the Board of Trustees. Reports are provided on a quarterly basis along with the quarterly financial report. Most recent report provided 5/12/11.

## VIII. CLAIMS MANAGEMENT

The AGRiP Advisory Standards covering Claims Management recognize the need for adequate written policies and procedures in administering claims against members.

- VIII-A. The pool has written procedures that include settlement authority structure, internal review/audit procedures, and loss reserving.

This requirement may be met by citing specific sections or provisions of appropriate documents that include those procedures. Please provide the date(s) of the most recent revision(s) to these procedures. Or, tell us why this Standard is not applicable.

Response:

Claims Procedure Manual Section 7 addresses settlement authority. Claims Procedure Manual Section 5 addresses internal review and audit procedures. Claims Procedure Manual Section 9 addresses loss reserving policy.

- VIII-B. The pool maintains a comprehensive claims management information system that tracks claims, develops loss data, and is distributed to members on a regular basis.

Tell us how you meet this standard. Please provide the date of your most recent distribution. Or, tell us why this Standard is not applicable.

Response:

UCIP contracts with Mountain View Software (a Gallagher company) for claims data management and reporting services. UCIP provides access to monthly loss reports on the UCIP website on a secured password protected member page. Most recent loss reports provided 9/2/11.

- VIII-C. The pool maintains a litigation management program that includes, but is not limited to, establishment of a list of qualified attorneys when applicable, establishment of reporting procedures, and ongoing monitoring and case management, including evaluation of legal expenses.

Tell us how you meet this standard. Please tell us when these policies were adopted and/or revised. Or, tell us why this Standard is not applicable.

Response:

Bylaws Article 5.1(o) requires Board to maintain a list of qualified firms for defense work. Litigated claims are flagged and tracked in the claims system. Claims Manager actively manages all litigated claims, with monthly defense counsel contact on all litigated files. As claims are assigned to defense counsel, counsel is required to provide a synopsis of the claim, strategy for resolving the claim, and proposed defense cost to the Claims Manager within 30 days of receipt of claim. Board has created a Litigation Management Committee comprised of member county attorneys which meets bi-monthly to review litigated claims, provide guidance to the Claims Manager and defense counsel, and develop recommendations to the Board regarding claims settlement. Approved firms, settlement authority and committee membership reviewed and updated 1/20/11.

- VIII-D. THE CLAIMS AUDIT:

- VIII-D-1. In addition to the tests conducted during the course of a financial audit a claims audit is conducted at least once every three years regardless of whether claims are handled by in-house staff or by an outside service provider.

Please provide the date of your most recent claims audit. Or, tell us why this Standard is not applicable.

Response:

Bylaws Article 5.1(l) requires the Board to provide for an independent claim audit at such times as the Board may determine. Board's policy has been to have an independent claim audit conducted at least each three years. Most recent claim audits conducted 2004, 2007 and October of 2010. In addition an audit of claims was conducted by UCIP's primary reinsurer, County Reinsurance Limited, in June of 2010.

VIII-D-2. The claims audit includes determination that claims were handled in a timely and efficient manner.

This requirement may be met by citing specific sections or provisions of appropriate documents such as RFPs, scope of work agreements, or other relevant documents that direct the auditor to review how claims were handled in a timely and efficient manner. Or, tell us why this Standard is not applicable.

Response:

Claim Audit report Section 5-RESULTS provides audit test findings on timeliness, adequacy, documentation and completeness of:

- a) Reserves;
- b) Coverage;
- c) Contact;
- d) Investigation;
- e) Documentation;
- f) Diary;
- g) Legal/Litigation;
- h) Follow-up/Control
- i) Supervision; and
- j) Reporting

VIII-D-3. The claims audit includes determination that the claims administrator adequately communicated with the pool, its members and claimants.

This requirement may be met by citing specific sections or provisions of appropriate documents such as RFPs, scope of work agreements, or other relevant documents dealing with the communication of audit results to the pool, its members and claimants. Or, tell us why this Standard is not applicable.

Response:

Claims audit specifically tests and reports on timeliness and adequacy of communications on claims, including contact with member, claimant, and medical providers. Audit reports are provided to the Board in compliance with Bylaws Article 5.1(l). Last claim audit report provided to Board 1/20/11.

VIII-D-4. The claims audit includes determination that case reserving practices were reasonable.

This requirement may be met by citing specific sections or provisions of appropriate documents such as RFPs, scope of work agreements, or other relevant documents that direct the auditor. Or, tell us why this Standard is not applicable.

Response:

Claims audit specifically tests for and reports on adequacy, timeliness, and documentation of reserves in compliance with UCIP Claims Procedures Manual and industry standards in accordance with auditor's Scope of Services Section 5(a).

VIII-D-5. The claims audit includes determination that loss experience reports accurately reflect case reserves and payments.

This requirement may be met by citing specific sections or provisions of appropriate documents such as RFPs, scope of work agreements, or other relevant documents that direct the auditor. Or, tell us why this Standard is not applicable.

Response:

Claim audit tested and reported on a randomly selected basis the accuracy of claims data provided in system generated loss reports in accordance with auditor's Scope of Services Section 5(e).

- VIII-E. The claims audit is conducted by a qualified firm or individual engaged by the pool that is independent of the pool and its claims service providers.

Please tell us how your pool meets this standard. Or, tell us why this Standard is not applicable.

Response:

Claim Audit conducted by Alternative Service Concepts (ASC) of Nashville, TN. Only relationship between UCIP and ASC other than independent audit is that ASC is also a contracted service provider to UCIP's excess mutual carrier, County Reinsurance Limited.

- VIII-F. The claims auditor issues a report on the condition of the pool's claims handling and reserving practices noting significant exceptions and/or deficiencies.

This requirement may be met by citing specific sections or provisions of appropriate documents such as RFPs, scope of work agreements, or other relevant documents that direct the auditor. Please provide the date of your most recent report. Or, tell us why this Standard is not applicable.

Response:

Claim audit report provided results of all tests conducted by the auditor as well as specific recommendations on claims handling and reserving practices.

- VIII-G. The pool adequately addresses all exceptions or deficiencies noted in the claims audit within a reasonable period of time.

Tell us how you meet this advisory standard. Or, tell us why this Standard is not applicable.

Response:

Although not significant exceptions or deficiencies have been noted in recent audits, the CEO reviews the report with the Claims Manager to review areas for improvement. CEO also reviews claim audit with Litigation Management Committee. Litigation Management Committee makes report and recommendations to the Board of Trustees based on results of claim audit, and response to audit by management.

## IX. PROFESSIONAL DEVELOPMENT

The AGRiP Advisory Standards for Professional Development recognize the value of continuing education.

- IX-A. Members of the governing body of the pool participate in relevant professional conferences and seminars presented by organizations other than the pool.

Explain how this requirement is met by citing meetings that board trustees or directors normally attend or most recent meetings attended. Or, explain why this Standard is not applicable.

Response:

Board members regularly attend AGRiP and PRIMA conferences. Board policy allows each trustee to attend two conferences per year.

IX-B. Pool staff participates in relevant professional development programs.

Explain how this requirement is met by citing meetings that staff members normally attend or most recent meetings attended. Or, explain why this Standard is not applicable.

Response:

Loss Control Manager attends AGRiP and National PRIMA conferences. Claims staff attends Utah PRIMA, Labor Commission and other statewide conferences and seminars. Claims Manager, Manager of Administration and CEO attend CRL Claims and Underwriting Workshop.

IX-C. The pool chief executive officer regularly attends relevant state and national professional conferences and seminars.

Explain how this requirement is met by citing meetings that the CEO normally attends or most recent meetings attended. Or, explain why this Standard is not applicable.

Response:

CEO attends AGRiP conferences, PRIMA conferences and regional carrier seminars.

IX-D. Pool staff members obtain educational degrees, relevant professional designations and other certifications.

Please list degrees or designations currently held by staff members. Please tell us about programs in progress in which your staff members are participating. Or, explain why this Standard is not applicable.

Response:

CEO has ARM, RMPE, CIC and CRM designations. CIC and CRM designations require annual continuing education.  
Loss Control Manager has JD, and ARM designations.  
Claims Manager has GCA and ARM designations.  
Claims assistant working on AIC designation.

IX-E. Pool staff members participate in relevant professional organizations.

Please list the professional organizations in which your staff members participate. Please briefly describe these organizations. Please tell us the level of staff participation in these organizations. Or, tell us why this Standard is not applicable.

Response:

CEO currently participating as Board member of AGRiP and committee member for CRL underwriting and investment committees.  
Claims Manager is current President of Utah PRIMA.  
Loss Control Manager is past President of Utah PRIMA.

IX-F. The pool provides adequate funding to support professional development.

This requirement may be met by citing specific sections or provisions of appropriate documents such as written bylaws, policies or budgets that mandate, or facilitate this practice. Or, tell us why this Standard is not applicable.

Response:

Professional is a specific budget item. CEO recommends Board approval of necessary funds to accommodate each staff member meeting goals of individual professional development plans set out in annual performance reviews.

## X. ORGANIZATIONAL PLANNING

The AGRIP Advisory Standards for Organizational Planning recognize the value of long-range or strategic planning.

- X-A. The pool develops and maintains a long-range or strategic plan that contains a mission statement and clearly defined goals and objectives.

This requirement may be met by citing specific sections or provisions of appropriate documents adopting a mission statement and setting forth goals and objectives. Or, tell us why this Standard is not applicable.

Response:

Long range and strategic planning not required in Pool governing documents. Board has adopted the UCIP Planning Document which includes mission statement and strategic plan with goals, objectives and performance indicators to assure implementation and monitoring of the plan.

- X-B. The pool regularly reviews and revises its long-range or strategic plan.

Tell us how you meet this advisory standard. Please provide the date of your most recent review and/or revision of the long-range plan. Or, tell us why this Standard is not applicable.

Response:

Board policy has been to review Mission, Goals and Objectives of UCIP Planning Document annually at their Strategic Planning Meeting. Last plan reviewed 6/2/11.

- X-C. The pool regularly develops a short-term or operational work plan based on its long-range or strategic plan.

Tell us how you meet this advisory standard. Please provide the date the current work plans were developed. Or, tell us why this Standard is not applicable.

Response:

UCIP Planning document includes short term goals that been identified to meet long-term objectives of strategic plan. Annual goals are adopted by Board of Trustees at their Strategic Planning Meeting. Current short term goals adopted 6/2/11. CEO reports on progress of short term goals at each monthly Board meeting.

- X-D. The pool's governing body and staff regularly review the work plan to ensure that activities are completed and goals and objectives are met.

Tell us how you meet this advisory standard. Please provide the most recent date the current work plan was reviewed by the pool's governing body and staff. Or, tell us why this Standard is not applicable.

Response:

Completion dates are set for each goal. Timeliness of completion of goals is reviewed as part of review and update of Planning Document each year during Strategic Planning Meeting. Timely completion of goals also considered in CEO performance review.

## XI. ETHICS

The AGRiP Advisory Standards covering Ethics policies recognize that members of public entity pools are public organizations, such as schools and transit districts, and that public entity pools are governed by boards made up of public officials. Thus, adherence to a defined policy, such as the AGRiP model policies, encourages public trust and proper decision making within the pool. A model Code of Conduct and a Pool Service Providers' Bill of Rights adopted by the AGRiP Board of Directors are available to download on the AGRiP web site.

XI-A. The pool has a Code of Conduct applicable to the pool governing body, staff (whether directly employed by the pool or under contract) and service providers.

This requirement may be met by affirming that the pool has adopted a Code of Conduct policy that is generally consistent with the AGRiP Model Code of Conduct. Please provide the adoption date of the Code and the date of the latest revision. Or tell us why this Standard is not applicable.

Response:

As a local government agency the Utah Public Officers' and Employees' Ethics Act (U.C.A. §67-16-1 et. seq.) governs for all Board members, committee members and staff. Training on the Act is provided to the Board annually as part of the Strategic Planning Meeting (most recently 6/2/11), and staff are trained on the Act annually as part of regularly scheduled staff training meetings (most recently on 5/2/11). UCIP Employee Manual also addresses conduct under Section IV – Standards of Conduct (last updated 3/17/2011). Utah Procurement Code (U.C.A. §63-56-101 et. seq.) governs relationships with all vendors. The Code is referred to in each RFP and contract used for provision of services to the Pool. Interlocal Agreement Section 3.1 requires compliance with each of these Acts and Codes.



## Agreement

Recipients of the Advisory Standards Recognition sponsored by the Association of Governmental Risk Pools acknowledge that the program was developed to encourage and promote compliance with AGRiP's Advisory Standards. The Recognition acknowledges that the recipient's self-evaluation demonstrates general compliance with the recommended operational practices and documentation. The Advisory Standards are intended to be a benchmark to measure and guide but do not attest to the solvency nor define the capacity, content or quality of organizational and operational characteristics of public entity risk and employee benefit pools.

Recipients of the Advisory Standards Recognition agree not to use the Recognition in any way that implies or suggests that through the Recognition AGRiP guarantees that the pool is appropriately managed or financially solvent.

Please complete the following Verification section and attach a copy of a Board Resolution or minutes from a Board meeting in which this self-evaluation form was approved. Evaluations forms will not be accepted unless they are signed by the chairperson of the executive committee or the board of directors.

### Verification

Name of Pool Utah Counties Insurance Pool

Name and Title of Contact Person Johnnie R. Miller, Chief Executive Officer

Street Address P.O. Box 95730

City South Jordan State UT Zip Code 84095

Telephone 801-565-8500 Fax 801-568-0495

Date of Completion 9/14/11

This evaluation was conducted by

Johnnie R. Miller, Chief Executive Officer  
(Name of Committee or Person and Title)

This evaluation was reviewed and approved by the executive committee or board of directors/trustees:

Signature \_\_\_\_\_

Name W. Kay Blackwell

Title Chairman  
(Chair of the Board or Executive Committee)



WEBSITE RE-DESIGN, PROGRAMMING & IMPLEMENTATION  
Utah Counties Insurance Pool



## PROCESS

Fluid will work with the Utah Counties Insurance Pool in facilitating creative processes, including brainstorming, layout, design, and other services as needed. We value the input of all stakeholders and look for a long-term relationship where we can help promote the organization and its various initiatives.

### **Website Design, Programming, and Social Networking Integration**

The scope of project is the development and re-design of a custom content management system for Utah Counties Insurance Pool, content flow, front-end design, integration with social media networking, and the ability to customize each page, manage content, and build additional pages in-house. The content management system will be developed to allow for multiple levels of access for a variety of users.

Fluid Studio will provide training for Utah Counties Insurance Pool following website completion for the content management system and administrating specific web pages and content. Every opportunity will be taken in the integration of social networking, digital media, and mobile applications.

### **Specifics & other considerations for New Website**

- Members only section built out in similar fashion as existing admin
- New database creation and rebuilding Admin queries
- Clean, simple design, focusing membership, events and workshops
- Easy to update and be maintained by UCIP in-house



**Project Management**

Web development project management will be done by Jennifer Barnes & Phil Case. For this project the main point of contact will be Jennifer Barnes - jenniferb@fluid-studio.net. Project management will be conducted during the entire process to maintain the highest degree of quality and communication flow occurs.

**Warranty**

Warranty (included in price) is that for everything included in the scope of work which is determined in the planning process, will be under warranty for 1 year from the completion of the project. Additional warranties and maintenance are available as time goes on at an additional cost. The warranty however, does not cover derivative works not created under this contract.

The warranty does not include tampering with previously functional code, i.e. if the client gives access to someone who changes the source code and the functionality changes, Fluid would revert to the previously functional source code, or would need to be hired to repair the code of an outside developer from this proposal, for an additional cost not included here.

**Timeline for Completion**

A more detailed timeline and milestones will be discussed and approved by both Fluid and Utah Counties Insurance Pool upon project initiation. However, the website is slated to be completed well before the end of December 2011 to fall within this Calendar's year budget.



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## **Website Design and Development Process**

- Step 1: Goals & Objectives
- Step 2: Site Map
- Step 3: Wireframing
- Step 4: Functionality Specifications
- Step 5: Database Structuring
- Step 6: Design
- Step 7: Front-end Development
- Step 8: Back-end Development
- Step 9: Quality Assurance

When this process is strictly followed web projects run smoothly and client satisfaction is much higher.



### ***Step 1: Goals and Objectives***

In recent years it has been determined that the part of the brain that determines goals and objectives is located in a different than the part of the brain that which deals with detailed planning. We have found that by first uncovering the goals and objectives with the client of the and how different types of users will use the site a "true north" can be established. Profiling each type of user and what each of them will do as well as what challenges and opportunities they will face helps to create goals which become anchor pages in the site.

Supporting pages will be added to help guide the different user types to the anchor pages. Many different solutions will be explored and the goals and objects will help to show the way of how the site map will look and layout.

### ***Step 2: Site Map***

A site map is an outline of what pages the site will have and how they connect. The site mapping process is important for determining layout navigation in design and for laying out what pages will need to be wireframed. The site map will help the client see the site from a high level initially.

### ***Step 3: Wireframing***

Wireframing is a process where all the pages are drawn out in outline form. The objective of a wireframe isn't to design the site, but rather to take inventory of all the elements each page will have and how they will be managed.

In many ways, wireframing helps the design process as much as it helps development by allowing the designers to put emphasis into designing rather than figuring out what each page should have. We have found that even though the process can take days to several weeks for any given phase of a project literally one hour of planning can save anywhere from ten to hundreds of hours of development and greatly lower the overall costs of a project.

We cannot over stress the importance of detailed planning it helps so everyone is on the same page and can mean the difference between success and failure for the project.

### ***Step 4: Functionality Specifications***

Each page's functionality specification are attached to the wireframes in side notes with corresponding annotation to show how the site will be connected together with its administration areas. Each element receives a description of how it works, what it will do, and how it will connect together.

Content manage pages and add posts as needed. Add videos, audio and image to pages and posts as needed.

### ***Step 5: Database Structuring***

Database structuring is the process of building all the tables/relationships/variables to connect the database together. We use MySQL for our databases, because it is powerful open source tool for high integrity internet database building. If other integration is involved samples of data from the different databases will be required for interconnection requirements and planning. We are familiar with many other databases in the market place (MSSQL, Oracle etc.) and have created connections with many different databases to streamline pushing/pulling information between different systems.



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#### ***Step 6: Design***

Fluid will work closely with Utah Counties Insurance Pool and its design team for an overall look and feel that will be modern, contemporary and attractive for a designer community to come together. Creative meetings will be held with Utah Counties Insurance Pool to ensure the direction, initial mock-ups provided, and style is consistent with the product and the corresponding target market.

#### ***Step 7: Front End Development***

Front-end development refers to the process of converting the finalized design into renderable code used by the web browser to display the site. Coding languages used during this stage of development generally include XHTML, CSS, JQuery, flash, and Javascript. For this project the goal is to create a simple and elegant website from the design deliverables.

#### ***Step 8: Back-end Development***

Fluid Studio uses PHP/MYSQL in a LAMP configuration to develop the website's back-ends. The back-end of a website adds the functionality and administrative areas. Fluid Studio will use Wordpress as a content management system (CMS) to accomplish most of the site's dynamic functionality. When necessary, it will use a third-party plugin or develop a custom widget or plugin for the site.

We will setup, install, customize the back-end and build and install required plugins to make the site function as intended.

#### ***Step 9: Quality Assurance (QA)/Project Management (PM)***

Fluid Studio will be responsible for the look of the site in the browsers and operating systems listed below. We will test the site's functionality in the browsers and operating systems listed below. Specific testing environments include:

##### **Browsers:**

Internet Explorer 7-8  
Firefox 3.5  
Chrome  
Safari 4

##### **Resolutions:**

1024x768 and above

##### **Operating Systems:**

PC  
Mac  
Linux

Additional accessibility testing can be conducted, per client request at an additional cost for other browsers. IE 6 support has been discontinued by most major corporations and can be done at an additional cost.



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## Costs

The following costs are estimates based on research, concept development and graphic design, user interface and navigation planning, website programming and development time of Fluid Studio and its programming team, and other needed capability as discussed above.

All costs are based on hourly estimates by task. These services are discounted \$20/hour from Fluid's standard hourly rate of \$120/hour due to the government nature of Utah Counties Insurance Pool and Fluid's state contract.

If additional hours are required or if the scope of project changes then an addendum will be added to this agreement for approval by both parties.

### Costs

TASKS	COST
Research, Concept Development and Custom Graphic Design for website re-design. Includes establishing a new look online and revisions for the website and custom design for key pages, templates and style sheets throughout the website. This includes a round of revisions and changes based on feedback from Utah Counties Insurance Pool.	<b>\$1,900</b> (based on design, functionality and improved navigation needs as discussed with UCIP. Includes graphic design updates to the members only area)
Programming, development, & Building of front-end website including the CSS and HTML coding as specified in the wireframe and site blueprint. Integration, linking and automatic updating for social media networks is included as website is built out.  Content Managed Pages Backend Development in Wordpress to match the current website structure and allow for management and updates in-house by Utah Counties Insurance Pool staff. Includes style sheets and templates for various pages including Trainings, Workshops, Events Calendar, Videos, Maps, Contact Pages, About us Pages, etc.	<b>\$3,900 - \$4,300</b> (based on website framework and foundation to build upon as discussed with UCIP. Quality of website functionality and additional features will cause this range to be higher or lower as decided upon by UCIP)
Utah Counties Insurance Pool Rebranding and Logo Re-design to occur along with the new website. Doing both concurrently saves approximately 50% of the total cost if done as separate projects. This includes research, concept development, logo research and presentations, re-branding elements, colors, style guide, etc.**	<b>\$1,500</b> (discounted from normal rate of \$3,000 if a separate project)
Email Marketing Integration and building of a custom HTML Newsletter	<b>\$350</b>
Cleansing and re-building of a MySQL Database based on current Members Only section data. This includes a purging of data and re-entry completed by UCIP.	<b>\$950</b>
Changes requested to the members only area in which County Officials and Admins will only be able to view and download/export records to an excel file on their desktop.	<b>\$350</b>
Installation of Google Analytics	<b>Free (Complimentary by Fluid)</b>

\*\*Possibility of doing this concurrently with Fluid and the Utah Association of Counties as they are pursuing a full rebrand and redesign with Fluid in the next several months.



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**Below is a list of recently launched websites completed by Fluid and it's development team:**

<https://www.utahcentral.com/>

<http://www.rhodesbread.com/>

<http://saltlakemagazine.com/>

<http://bocamag.com/>

<http://parallelhr.com/>

<http://www.stakerparson.com>

<http://www.fluid-studio.net/mlatc/> (going live in the next few weeks)

<http://www.wasatchbarricade.com/>

<http://www.cameronconstruction.com/>

<http://www.looseinthelabsscience.com/>

<http://www.mediconnect.net/>

<http://www.stregisdeervalley.com/>

<http://wisefoodstorage.com/>

<http://www.shelfreliance.com/>

<http://www.21st-century-goods.com/>

<http://www.transcensus.com/>

<http://www.wasatchpreferred.com/>

<http://gosci.com/>

<http://www.thecastleweddings.com/>

<http://www.lemontmichel.com/>

[http:// www.jbrenv.com/](http://www.jbrenv.com/)

<http:// www.salvationarmyutah.org/>

<http:// www.fairygodmothersbridal.com/>

<http:// www.scottbreenblog.com/>

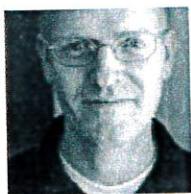




## EXPERIENCE

With an extensive amount of advertising, design and marketing expertise, we have talented group of professionals that know how to create Big Ideas. But more importantly, each member of our dedicated staff has a passionate drive to do whatever it takes to create Maximum Impact for our clients. And we're not just thinkers, we're doers.

The following employees are heavily involved in the agency's day-to-day operations and creative development.



### ***John Dye, President***

John Dye came to Fluid Studio in March of 1998 and took over the helm just a short time later. Under his strong leadership abilities, Fluid has grown from a tiny start-up to a viable graphic design studio that has tripled in size.

Prior to joining us, John worked for First Health as a policy and procedures analyst. He has also worked as an English Instructor at Brigham Young University, Salt Lake Community College and Utah Valley State College.

John is a graduate of Brigham Young University where he received both his Masters and a Bachelor of Arts in English. In his spare time, He enjoys running, reading and spending time with his wife and three children.



### ***Philip Case, Business Development Manager***

Philip plays a major part of business development at Fluid Studio. Since joining Fluid, he has contributed social media expertise and integration strategy for numerous companies and helped to develop an advertising and marketing educational series for local businesses. Philip has years of sales and marketing experience in a variety of industries and recently completed a nationwide campaign in awareness and fundraising. In this position, Philip oversaw dozens of team leaders and operated a successful marketing strategy.

One of his strengths is his ability to identify problems and develop workable solutions that are cost-effective and on target for organizations. Philip received his BA in International Business from Brigham Young University.



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***Jennifer Barnes, Senior Account Manager***

Jennifer oversees project coordination between Fluid Studio and several of Fluid's largest clients. She coordinates with clients and the team of designers, programmers, and developers at Fluid to ensure that projects are completed satisfactorily, on budget, and at or before deadline.

Before coming to Fluid, Jennifer worked as a social media marketer for Temple Square Hospitality Corporation, where she developed various online profiles for them and headed up many of their social media campaigns.

Jennifer graduated Magna Cum Laude from Brigham Young University-Idaho, earning a Bachelor of Science degree in Communications with emphasis in Public Relations. During her schooling, she worked as an Account Executive and then Project Manager for BYU-Idaho's Alloy Agency. She also served as president of BYU's chapter of Public Relations Society of America.



***Kate Giles, Administrative & Marketing Assistant***

Kate joined the Fluid team in May 2010. After receiving her degree from Brigham Young University in communications, she joined Fluid as a marketing intern and also became the administrative assistant.

While at BYU, Kate was an account executive with the Bradley Public Relations Agency where she worked on projects with American Mothers Incorporated and the BYU Department of Communications.



***Kevin Perry, Creative Director***

Since 2000, Kevin has applied his leadership ability and extensive talents to all of Fluid's accounts. His award-winning work has helped evolve and distinguish such notable names as the Gallivan Center, Bonneville Communications, and Staker & Parsons Companies—ranked as one of Utah's top businesses.

Kevin received his BFA in Graphic Design from Utah State University, served as the President for the Salt Lake chapter of the AIGA—the professional association for design—and currently is serving as the national Presidents Council Chair for AIGA.

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***Luat Nguyen, Senior Designer***

Luat has been with Fluid Studio since 2005. He has assisted with brand strategy and design on multiple accounts, including Exclusively LDS, Orbit Irrigation Products, Mountain Medical Imaging, and Bonneville Communications. Before coming to Fluid, Luat was the principal brand strategist and designer for Korr Medical Technologies. Luat holds a BFA in Graphic Design from the University of Utah.



***Shannon Markham, Art Director***

Shannon worked as an intern and part-time designer at Fluid before being hired full-time in July 2004. Previously, Shannon worked as a design assistant to Liz King at Liz King Design.

Shannon holds a BFA in Fine Art with an emphasis in Graphic Design from the University of Utah and a Certificate in Interior Design from Salt Lake Community College.



***Shawn Holloway, Designer***

Shawn Holloway graduated from Weber State University with a Bachelor of Fine Arts Degree in Visual Communications. He completed an internship with Axiom Designed Communications. Previously, Shawn worked with the Bard Access Systems design team.



***Megan Zurcher, Designer***

Megan holds a BA in Visual Arts with an emphasis in Graphic Design and a Business Management minor from Brigham Young University. As part of her studies, Megan worked as a design intern at Priority Dispatch in Salt Lake City during the summer of 2004.



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***Jim Killian, Interactive Designer***

Jim serves as an interactive and print designer at Fluid. He is adept at creating content management systems and producing effective e-mail marketing campaigns. Jim is also skilled in Flash, Dreamweaver, HTML, CSS, and other interactive design tools. Jim graduated from the University of Utah in April 2009 in Fine Art with an emphasis in Graphic Design.



***Matt Stuart, Senior Account Manager***

Matt oversees project coordination between Fluid Studio and several of Fluid's largest outside clients. He interacts closely with both the client marketing team and Fluid designers to ensure that projects are completed and deadlines are met.

Before coming to Fluid, Matt worked as an Art Director and a Sales Team Manager for an international educational supply company. In these positions, Matt developed marketing strategies, designed promotional print material, supervised other graphic artists, as well as recruited and managed a nationwide team of independent sales representatives. He has over six years of successful experience in design, management, and business development. Matt received his BA in Business Administration and Marketing (Summa Cum Laude) from Weber State University.



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## TERMS & CONDITIONS

This is our agreement of understanding. This is an estimate only, not a quote. Please review carefully the scope of work as outlined above. Changes in scope of work and/or project specifications will require a written revision of the information provided, and you will be billed an additional amount as outlined in the following terms.

-Cost estimate includes concept, design, art direction, typesetting, layout, and project supervision. Estimate does not cover cost of any scans, video, props, color copies, models, photography, additional artwork, or anything else not specifically denoted that may be incorporated into the design or production of this project but not known at the time of this estimate.

-Payable as follows: Fee is payable 1/2 upon project initiation and 1/2 upon completion (plus all applicable tax). Final payment must be made upon delivery of print materials and/or before site goes live. First half fee is nonrefundable and must be redeemed for service. Fees for photography, scans, film, and all other project expenses are payable as they occur. Estimate is subject to change as costs change or if scope of project changes.

-A credit application must be completed by the client upon project initiation (Fluid will provide this if needed; if client has a standard form they use, this will work in most cases). In the case of the State of Utah Agency, no credit application is necessary.

-Fees quoted are based on work performed during the course of regular working hours. Overtime, rush, holiday, and weekend work necessitated by client's directive is billed in addition to the fees quoted.

-Fluid Studio's ability to meet deadlines is predicated upon the client's provision of all necessary information and approvals in a timely manner.

-On web or interactive projects, client will receive a jpeg file of initial site design before site production begins. Once site design is approved in writing by client, any changes will incur at least 6 hour(s) to redesign and will be charged at \$110/hour.

- Client will receive all design mock-ups/and or website mock-ups in a JPEG format (in addition to a in-person client meeting). Client will have time to review all design work completed by Fluid and then submit changes, feedback, and approval through the FSD\_Approval\_Form\_10\_2010 document. If Fluid proceeds with website/interactive implementation and programming without the consent of the Client and a signed approval form, additional labor and overhead costs will be assumed by Fluid Studio and NOT the client. Once client approval is received on all design mock-ups, Fluid will proceed with actual development and implementation.

-The client agrees to be held solely liable for any monies due by any and all media outlets or debtors (including Fluid Studio).

-Client agrees that it will consult a lawyer to determine that all designs and tradenames or marks do not infringe the proprietary rights of others and hereby agrees to indemnify and hold Fluid Studio harmless in the event of any claims or actions, including payment of costs and reasonable attorney fees.

-Unpaid balances will accrue at a rate of 2% per month, plus any costs of collection and reasonable attorney fees.

-Unless otherwise stated in writing, the information contained in this estimate is valid for thirty days. Proposals approved and signed by the client are binding upon the designer and client commencing on the date of the client's signature.

-Payment of initial fee constitutes agreement to these Terms & Conditions.

NAME: \_\_\_\_\_

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Title: \_\_\_\_\_

Organization: \_\_\_\_\_



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## AFFIDAVIT OF KAY BLACKWELL

STATE OF UTAH                                 )  
  :ss  
COUNTY OF SALT LAKE                         )

Kay Blackwell, being duly sworn upon oath, deposes and says:

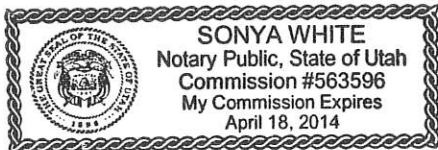
1. That the affiant has personal knowledge of the matters hereinafter referred to in this Affidavit.
2. That the Affiant, on or about the 15 day of September, 2011, presided over a meeting of the Utah Counties Insurance Pool Board of Trustees, an open and public meeting within the provisions of Chapter 4, Title 52, Utah Code Annotated, 1953, as amended.
3. That a quorum of the Utah Counties Insurance Pool Board of Trustees was present and at least two-thirds of the members present, voted to close the meeting pursuant to the provisions of Section 52-4-4, Utah Code Annotated, 1953, as amended, for the purpose of discussing the character, professional competence, or physical or mental health of an individual.
4. That the affiant was present throughout the meeting and, pursuant to the provisions of Section 52-4-7.5, the affiant does hereby affirm that the sole purpose for closing the meeting was to discuss the character, professional competence, or physical or mental health of an individual or individuals.

FURTHER, Affiant saith not.

DATED this 15 day of September, 2011.

  
KAY BLACKWELL, President  
Utah Counties Insurance Pool

On the 15 day of September 2011, personally appeared before me Kay Blackwell, who, after being by me duly sworn, deposed and said that the information contained in the above and foregoing Affidavit is true and correct.



  
NOTARY PUBLIC

My Commission Expires: 4/18/2014







**County Reinsurance, Limited**

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**Annual Report  
2010**



## *About County Reinsurance, Limited*

County Reinsurance, Limited (CRL) is a member-owned reinsurance company. The company was formed in 1997 by county associations that operated their own self-insured pools. The National Association of Counties (NACo) and state association executives played a critical role in the formation of the company.

CRL is organized as a captive insurance company in the state of Vermont. The company's legal structure as a mutual insurance company means that the members of the company own the company. In addition, CRL is organized as a non-profit company and is exempt from state and federal income taxes. All CRL members are also organized as non-profit companies.

CRL provides property, liability, and workers' compensation reinsurance to its members. As a reinsurance company, CRL does not provide direct coverage or state approved "admitted" policies. In several instances CRL enters into reinsurance agreements with a state-approved insurance company to meet state regulatory requirements for an "admitted" company. In those instances, CRL Members receive a policy from an insurance company admitted to do business in their particular state, and CRL reinsures that state-approved insurance company.

CRL maintains an administrative office in Clemmons, North Carolina. Questions about CRL may be directed to Philip E. Bell, Executive Director at (336) 766-3930.





## Letter to Members

Dear Members:

We are pleased to present County Reinsurance, Limited's (CRL's) Annual Report for 2010. Here are the major highlights of the year:

- Net Premiums Earned decreased from \$18,558,000 to \$18,419,000, a 0.8% decrease. This decrease can be attributed to higher member retentions.
- The company had an underwriting loss of \$1,842,000 for the year. Offsetting this underwriting loss was \$5,669,000 in investment income, resulting in Net Income of \$3,827,000.
- Members' Equity increased from \$11,498,000 to \$16,242,000, a 41% increase.

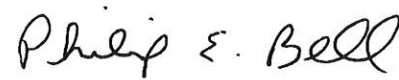
We discuss these results in more detail in the following pages.

CRL held a Strategic Planning Retreat in November of 2010. The results of this retreat were the development of a Strategic Plan, including a statement of five strategic goals and an annual work plan to move the company toward achievement of these goals. We will incorporate comments on the Strategic Plan in future Annual Reports, but in this report we do want to reiterate our five strategic goals: Financial Security, Member Excellence, Underwriting Excellence, Claims Management Excellence, and Operational Excellence.

Please let us know if you have any comments or questions.



Ron Lethgo  
Chairman of the Board



Philip E. Bell  
Executive Director



## Management's Discussion and Analysis

### Underwriting Results

County Reinsurance, Limited's (CRL's) Net Premiums Earned decreased from \$18,558,000 to \$18,419,000, a 0.8% decrease. The premium decrease is the result of higher member retentions. Chart 1 illustrates changes in CRL's premium from 2001 to 2010.

The company had an Underwriting Loss (Operating Loss) of \$1,842,000 for the fiscal year ending December 31, 2010. Workers' Compensation (WC) and Liability business in the current year accounted for the Underwriting Loss. Loss development in prior years was stable for the first time in several years. We attribute this stability in the older years to our on-going claims audit program. We audit each member's claim operation at least once every two years.

Chart 2 shows a summary of the results of the company from 2001 to 2010.

### Investment Results

CRL's performance benchmark is customized to better represent the strategic characteristics of the portfolio, which in turn support CRL's liabilities. The

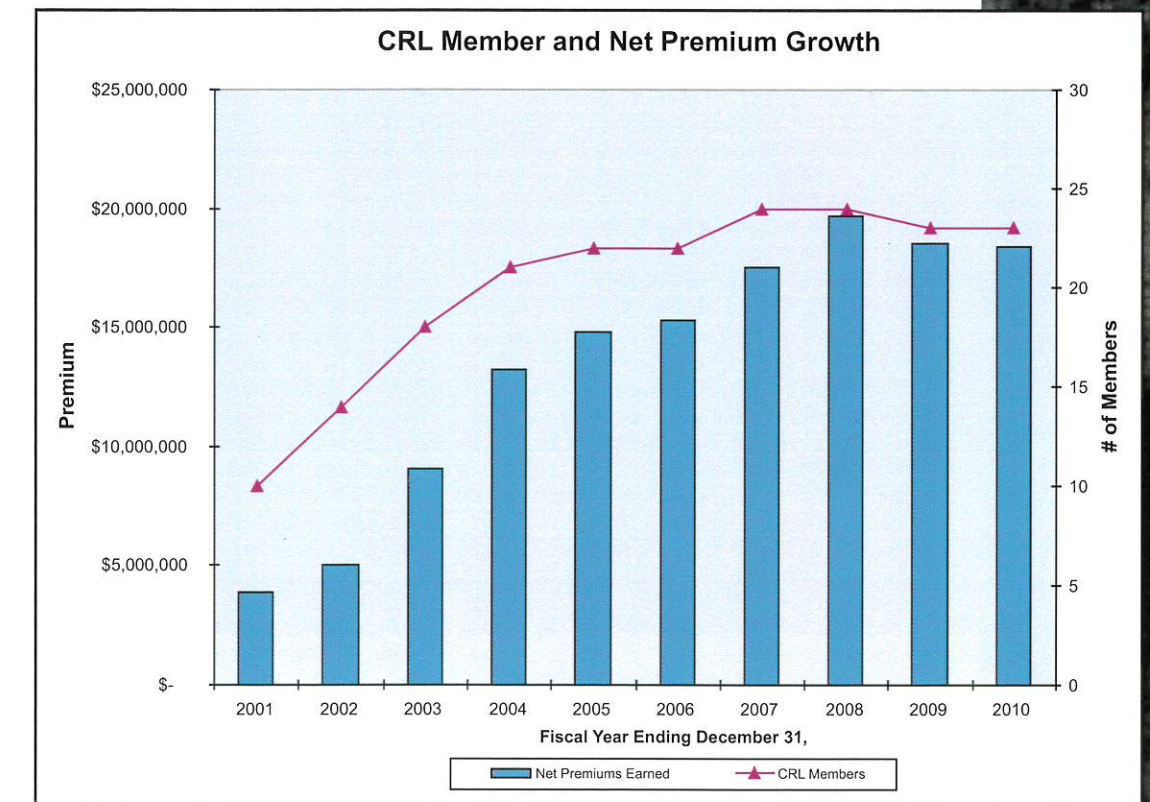


Chart 1



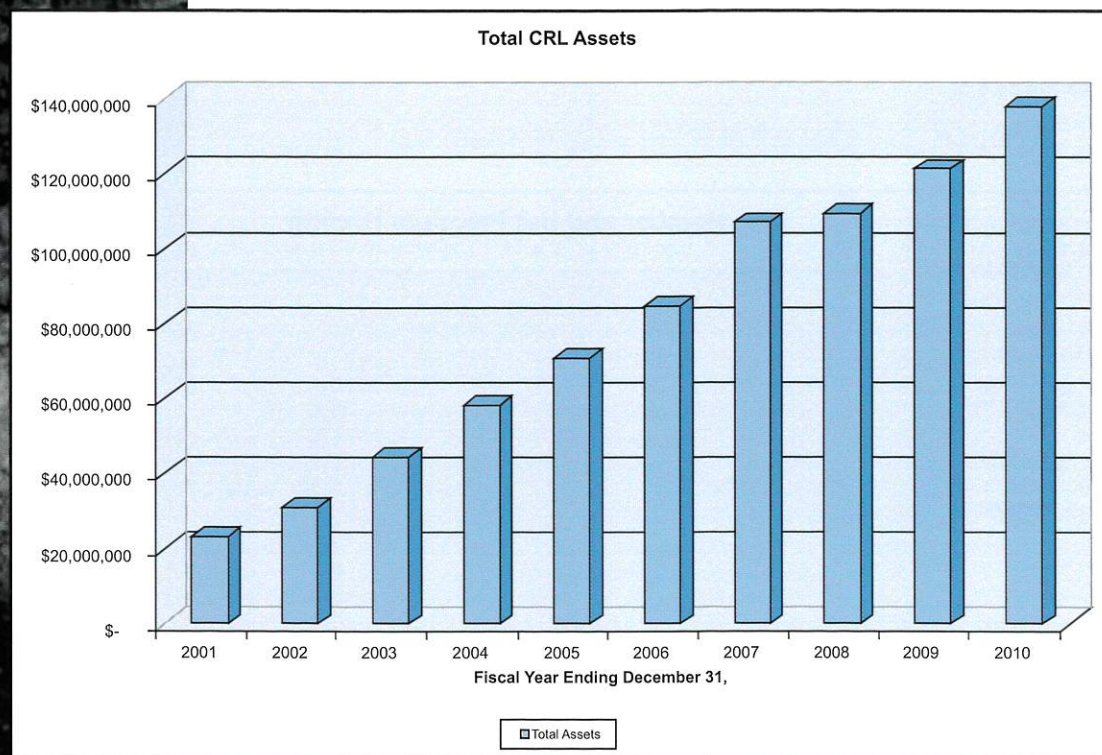


### Comparison of Results - 2001 to 2010

Years Ending December 31,	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Net Premiums Earned	\$3,853,446	\$5,029,130	\$9,019,816	\$13,187,947	\$14,812,328	\$15,325,265	\$17,543,593	\$19,654,835	\$18,557,515	\$18,418,749
Operating Income	\$(938,214)	\$(1,716,469)	\$(362,852)	\$1,515,615	\$528,587	\$(687,267)	\$(3,632,387)	\$(3,487,613)	\$(1,101,496)	\$(1,842,451)
Net Investment Income	\$717,866	\$(650,030)	\$888,492	\$2,271,794	\$2,765,084	\$3,828,176	\$5,309,227	\$(6,446,767)	\$4,027,917	\$5,669,136
Net Income	\$(220,348)	\$(2,366,499)	\$525,640	\$3,787,409	\$3,293,671	\$3,140,909	\$1,676,840	\$(9,934,380)	\$2,926,421	\$3,826,685
At December 31,	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total Assets	\$23,101,292	\$31,145,589	\$44,442,266	\$58,421,265	\$70,943,760	\$84,760,980	\$107,064,249	\$109,345,608	\$121,330,105	\$137,891,637
Total Liabilities	\$20,001,094	\$29,530,000	\$37,851,840	\$46,131,914	\$55,730,576	\$65,610,922	\$85,049,651	\$101,651,901	\$109,832,427	\$121,649,287
Total Member Equity	\$3,100,198	\$1,615,589	\$6,590,426	\$12,289,351	\$15,213,184	\$19,159,058	\$22,014,598	\$7,693,707	\$11,497,678	\$16,242,350
CRL Members	10	14	18	21	22	22	24	24	23	23

**Chart 2**

custom benchmark composition is 90% Barclay's Capital Intermediate Aggregate Index and 10% Barclays Capital U.S. Treasury: 1-3 year Index. For the year, CRL's investment portfolio produced a return of 5.08% and underperformed the benchmark return of 5.76%. Underperformance for the year was driven by a more defensive, shorter duration, fixed income strategy than represented by the benchmark in order to reduce the potential downside volatility on CRL's surplus.



**Chart 3**

Chart 3 illustrates the growing assets of the company.

### Net Income

CRL's Net Income for the year ending 12/31/10 was \$3,827,000. This included an Operating Loss of \$1,842,000 and Investment Income of \$5,669,000.



## Contributed Capital

CRL receives contributed capital from two primary sources. First, the company requires a minimum ratio of capital to premium for each member. New members are required to contribute this capital upon joining the company, as a condition of membership. Current members may be required to contribute additional capital if a member's capital drops below minimum ratios. This requirement helps maintain CRL's surplus at acceptable levels, but also gives an ownership incentive to the members of the company. Second, the company may periodically receive capital contributed by members to its Special Surplus Fund. Required contributions to the Special Surplus Fund are established by the Board of Directors. Effective July 1, 2009 the Board of Directors elected to begin contributions to the fund to improve the company's surplus position, and continued this approach on July 1, 2010.

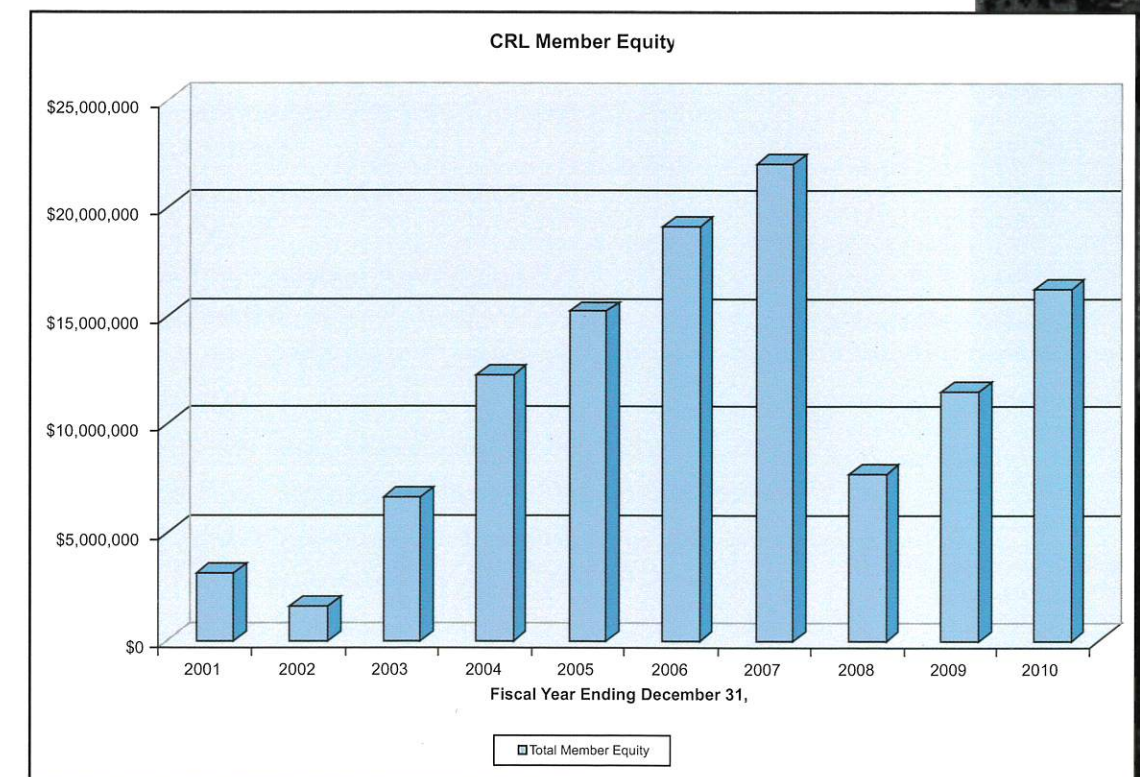
## Members' Equity

Members' Equity increased from \$11,498,000 to \$16,242,000 in 2010, a 41% increase. This change came from Member Contributions of \$917,000 and \$3,827,000 of Net Income. Chart 4 illustrates the changes in Members' Equity from 2001 to 2010.

## Reinsurance

CRL offers property, liability, and workers' compensation reinsurance to its members. The company has partnerships with additional reinsurance companies to add stability and capacity to its overall program.

The company currently retains liability business between a



**Chart 4**





member's self-insured retention and \$2,000,000. The company has a partnership with Chartis for the liability business, and retrocedes premiums and claims for losses above this amount to Lexington Insurance Company. Lexington Insurance Company has an A.M. Best rating of A (Excellent).

CRL has a partnership with Safety National Casualty Corporation (SNCC) for its workers' compensation business. The company currently retains workers' compensation business between the member's self-insured retention and \$2,500,000. The company also retains an aggregate amount of \$2,000,000 excess of \$2,500,000. SNCC provides the remaining statutory limits for the program. In those states that require an admitted company, SNCC issues a policy directly to the CRL member, and CRL reinsures SNCC for its portion of the premium and losses. SNCC has an A.M. Best rating of A (Excellent).

CRL also provides property reinsurance to eight member pools. CRL provides a \$25 million limit, but cedes all premium and losses excess of \$750,000 to Lexington Insurance Company. The aggregate retention of CRL during the annual policy period is capped at \$1,100,000. The member pools purchase additional reinsurance coverage and limits from additional companies.



## ***Members of County Reinsurance, Limited***

Arizona Counties Insurance Pool, *represented by Mr. William Hardy*

Association County Commissioners of Georgia - Interlocal Risk Management Agency,  
*represented by Mr. David Paulk*

Association County Commissioners of Georgia - Group Self-Insurance Workers'  
Compensation Fund, *represented by Mr. David Paulk*

Association of Arkansas Counties Workers' Compensation Trust,  
*represented by Mr. Chris Villines*

Association of County Commissioners of Oklahoma Self-Insured Group,  
*represented by Mr. Dusty Birdsong*

Association of County Commissions of Alabama Liability Self-Insurance Fund,  
*represented by Mr. Sonny Brasfield*

Association of County Commissions of Alabama Workers' Compensation Self-Insurers Fund,  
*represented by Mr. Sonny Brasfield*

County Risk Sharing Authority, *represented by Mr. David Brooks*

Kansas County Association Multiline Pool, *represented by Mr. Tom Job*

Kentucky Association of Counties Workers' Compensation Fund,  
*represented by Mr. Mark Miller*

Local Government Property and Casualty Fund,  
*represented by Mr. Robert Wormsley*

Local Government Workers' Compensation Fund,  
*represented by Mr. Robert Wormsley*

Missouri Association of Counties Self-Insured Workers' Compensation Fund,  
*represented by Mrs. Carol Green*

Nebraska Intergovernmental Risk Management Association,  
*represented by Mr. Craig Nelson*

Nebraska Intergovernmental Risk Management Association II,  
*represented by Mr. Craig Nelson*

New Mexico County Insurance Authority Workers' Compensation Pool,  
*represented by Mr. Ron Lethgo*

Nevada Public Agency Compensation Trust, *represented by Mr. Wayne Carlson*

Nevada Public Agency Insurance Pool, *represented by Mr. Wayne Carlson*

North Carolina Association of County Commissioners Joint Risk Management Agency  
Workers' Compensation Fund, *represented by Mr. David Thompson*

North Carolina Association of Counties Liability and Property Insurance Pool Fund,  
*represented by Mr. David Thompson*

Pennsylvania Counties Risk Pool, *represented by Mr. John Sallade*

Texas Association of Counties Risk Management Pool, *represented by Mr. Jim Jean*

Utah Counties Insurance Pool, *represented by Mr. Johnnie Miller*





## Directors and Officers of County Reinsurance, Limited

**MR. RON LETHGO**, Chair  
New Mexico

**MR. JIM JEAN**, Vice Chair  
Texas

**MR. DAVID PAULK**, Secretary  
Georgia

**MR. CRAIG NELSON**, Treasurer  
Nebraska

**MR. ANDY SARGEANT**, Assistant Treasurer  
USA Risk Group of Vermont, Inc.,  
(Resident Vermont Director)

**MR. SONNY BRASFIELD**  
Alabama

**MR. WAYNE CARLSON**  
Nevada

**MRS. CAROL GREEN**  
Missouri

**MR. TOM JOB**  
Kansas

**MR. DAVID THOMPSON**  
North Carolina

**MR. ROBERT WORMSLEY**  
Tennessee

## Staff of County Reinsurance, Limited



**MR. PHILIP E. BELL**  
Executive Director

**MS. BRENDA K. GIBSON**  
Member Services Manager

**MR. FRANK K. PETERSON**  
Regional Claims Manager

**MR. BARRETT A. EVANS**  
Regional Claims Manager

**MR. BRENT M. WELLS**  
Reinsurance Analyst

**MS. MARY K. JOHNSON**  
Administrative Assistant



## Standing Committees of County Reinsurance, Limited

### Claims Committee

Chair: Mr. David Paulk  
Member: Mr. Michael Kelly  
Member: Mr. Terry Myers  
Member: Mr. Craig Nelson  
Member: Mr. John Sallade

### Investment Committee

Chair: Mr. Andy Sargeant  
Member: Mr. Wayne Carlson  
Member: Mrs. Carol Green  
Member: Mr. Tom Job  
Member: Mr. Johnnie Miller  
Member: Mr. David Thompson  
Member: Mr. Bob Wormsley

### Personnel Committee

Chair: Mr. Craig Nelson  
Member: Mr. Sonny Brasfield  
Member: Mr. Ron Lethgo  
Member: Mr. Jim Jean  
Member: Mr. David Paulk  
Member: Mr. David Thompson

### Underwriting Committee

Chair: Mr. Jim Jean  
Member: Mr. Sonny Brasfield  
Member: Mr. Dave Brooks  
Member: Mr. Tom Job  
Member: Mr. Ron Lethgo  
Member: Mr. Mark Miller  
Member: Mr. Johnnie Miller

### Audit Committee

Chair: Mr. Ron Lethgo  
Member: Mrs. Carol Green  
Member: Mr. Jim Jean  
Member: Mr. Craig Nelson (Treasurer)  
Member: Mr. David Paulk  
Member: Mr. John Sallade  
Member: Mr. Bob Wormsley

### Bylaws Committee

Member: Mr. Wayne Carlson  
Member: Mr. Craig Nelson  
Member: Mr. David Thompson

### Ad-Hoc Strategic Planning Committee

Member: Mr. Jim Jean  
Member: Mr. Craig Nelson  
Member: Mr. David Thompson





*Service Providers of  
County Reinsurance, Limited*

**Brokerage and Risk Management Services**

*Marsh USA, Inc.*

**Captive Management and Accounting**

*USA Risk Group of Vermont, Inc.*

**Claims Management Services**

*Alternative Service Concepts, LLC*

**Consulting Actuary**

*By the Numbers Actuarial Consulting, Inc.*

**Financial Auditor**

*Johnson Lambert & Co., LLP*

**Legal Counsel**

*Morris, Manning & Martin, LLP*

*Primmer Piper Eggleston & Cramer, PC*

**Investment Advisor**

*Strategic Asset Alliance, Inc.*

**Investment Manager**

*Asset Allocation & Management, LLC*

County Reinsurance, Limited

Audited Financial Statements

Years ended December 31, 2010 and 2009

Contents

Report of Independent Auditors.....1

Audited Financial Statements:

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Statements of Operations .....3

Statements of Changes in Members' Contributions and Surplus .....4

Statements of Cash Flows ..... 5 - 6

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## Report of Independent Auditors

Board of Directors  
County Reinsurance, Limited

We have audited the accompanying balance sheets of County Reinsurance, Limited (CRL) as of December 31, 2010 and 2009 and the related statements of operations, changes in members' contributions and surplus and cash flows for the years then ended. These financial statements are the responsibility of CRL's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes the consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CRL's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Reinsurance, Limited as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

*Johnson Lambert & Co. LLP*

Burlington, Vermont  
April 12, 2011

Firm Registration: 092-0000267

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## County Reinsurance, Limited

### Balance Sheets

	At December 31,	
	2010	2009
<b>Assets</b>		
Cash and cash equivalents	\$ 2,987,288	\$ 17,404,801
Auction rate securities	525,000	675,000
Investments, at market value	124,820,363	95,758,408
Other investments, at market value	-	633,358
Accrued investment income	949,386	863,073
Premiums receivable	64,748	33,754
Reinsurance recoverable - paid losses	222,690	-
Reinsurance recoverable - unpaid losses	4,009,804	4,290,567
Deferred policy acquisition costs	22,203	15,716
Property, furniture and equipment, net of accumulated depreciation	566,404	474,497
Prepaid reinsurance premiums	3,442,131	845,662
Other assets	281,620	335,269
<b>Total Assets</b>	<b>\$ 137,891,637</b>	<b>\$ 121,330,105</b>
<b>Liabilities and Members' Contributions and Surplus</b>		
<b>Liabilities</b>		
Losses and loss adjustment expenses	\$ 108,729,615	\$ 99,852,916
Unearned premiums	10,375,303	7,364,178
Ceded reinsurance balances payable	4,214	10,525
Accounts payable and accrued expenses	650,589	468,442
Premium taxes payable	55,619	42,916
Return of members' contributions payable	1,492,482	1,953,519
Deferred ceding commission income	341,465	139,931
<b>Total Liabilities</b>	<b>121,649,287</b>	<b>109,832,427</b>
<b>Members' Contributions and Surplus</b>		
Members' contributions	9,813,053	8,985,037
Retained earnings	6,429,297	2,512,641
<b>Total Members' Contributions and Surplus</b>	<b>16,242,350</b>	<b>11,497,678</b>
<b>Total Liabilities and Members' Contributions and Surplus</b>	<b>\$ 137,891,637</b>	<b>\$ 121,330,105</b>

See accompanying notes to the financial statements.

County Reinsurance, Limited

Statements of Operations

	Years ended December 31,	
	2010	2009
<b>Underwriting Revenue</b>		
Premiums earned, net of reinsurance	\$ 18,418,749	\$ 18,557,515
Commission income	<u>624,346</u>	<u>452,339</u>
Total Underwriting Revenue	19,043,095	19,009,854
<b>Underwriting Expenses</b>		
Losses and loss adjustment expenses	19,453,792	18,588,532
Policy acquisition costs	299,133	292,990
Professional and management fees	200,524	179,077
General and administrative expenses	<u>932,097</u>	<u>1,050,751</u>
Total Underwriting Expenses	<u>20,885,546</u>	<u>20,111,350</u>
Operating Loss	(1,842,451)	(1,101,496)
<b>Investment Income</b>		
Net losses from derivative investments	(103,679)	(12,606)
Net investment income	4,955,785	6,213,889
Net realized gains (losses) on investments	<u>817,030</u>	<u>(2,173,366)</u>
Total Investment Income	<u>5,669,136</u>	<u>4,027,917</u>
Net Income	<u>\$ 3,826,685</u>	<u>\$ 2,926,421</u>

See accompanying notes to the financial statements.

County Reinsurance, Limited

Statements of Changes in Members' Contributions and Surplus

For the years ended December 31, 2010 and 2009

	Members' Contributions	(Accumulated Deficit) Retained Earnings	Total Members' Contributions and Surplus
Balance at January 1, 2009	\$ 8,133,175	\$ (439,468)	\$ 7,693,707
Proceeds from members' contributions	1,088,069	-	1,088,069
Return of members' surplus	(236,207)	25,688	(210,519)
Net income	<u>-</u>	<u>2,926,421</u>	<u>2,926,421</u>
Balance at December 31, 2009	8,985,037	2,512,641	11,497,678
Proceeds from members' contributions	1,128,910	(25,689)	1,103,221
Return of members' surplus	(300,894)	115,660	(185,234)
Net income	<u>-</u>	<u>3,826,685</u>	<u>3,826,685</u>
Balance at December 31, 2010	<u>\$ 9,813,053</u>	<u>\$ 6,429,297</u>	<u>\$ 16,242,350</u>

See accompanying notes to the financial statements.

County Reinsurance, Limited

Statements of Cash Flows

	Years ended December 31,	
	2010	2009
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 3,826,685	\$ 2,926,421
Add (deduct) items not affecting cash:		
Amortization of bond premium/discount	599,274	14,466
Net realized (gains) losses on investments	(713,351)	2,185,972
Depreciation	19,324	19,516
Change in unrealized gains on assets held at reporting date	(1,251,633)	(3,509,452)
Changes in assets and liabilities:		
Accrued investment income	(86,313)	(235,957)
Premiums receivable	(30,994)	(31,833)
Reinsurance recoverable - paid losses	(222,690)	-
Reinsurance recoverable - unpaid losses	280,763	(131,328)
Deferred policy acquisition costs	(6,487)	73
Prepaid reinsurance premiums	(2,596,469)	(71,211)
Other assets	53,649	(206,337)
Losses and loss adjustment expenses	8,876,699	8,717,555
Unearned premiums	3,011,125	(301,584)
Ceded reinsurance balances payable	(6,311)	(17,247)
Due to investment broker	-	(274,084)
Accounts payable and accrued expenses	182,147	286,228
Premium taxes payable	12,703	(1,541)
Deferred ceding commission income	201,534	(3,572)
Net cash provided by operating activities	<u>12,149,655</u>	<u>9,366,085</u>

See accompanying notes to the financial statements.

County Reinsurance, Limited

Statements of Cash Flows - Continued

	Years ended December 31,	
	2010	2009
<b>Cash Flows from Investing Activities</b>		
Cost of investments acquired	(55,868,467)	(106,396,991)
Proceeds from sales and maturities of investments	28,955,577	69,174,505
Cost of property, furniture and equipment purchased	<u>(111,230)</u>	<u>(1,322)</u>
Net cash used in investing activities	<u>(27,024,120)</u>	<u>(37,223,808)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from members' contributions	892,702	1,088,069
Return of members' contributions	<u>(435,750)</u>	<u>(435,750)</u>
Net cash provided by financing activities	<u>456,952</u>	<u>652,319</u>
Net change in cash and cash equivalents	(14,417,513)	(27,205,404)
Cash and cash equivalents, beginning of year	<u>17,404,801</u>	<u>44,610,205</u>
Cash and cash equivalents, end of year	<u>\$ 2,987,288</u>	<u>\$ 17,404,801</u>

See accompanying notes to the financial statements.



County Reinsurance, Limited

Notes to Financial Statements

Years ended December 31, 2010 and 2009

**Note A - Organization and Significant Accounting Policies**

*Organization*

County Reinsurance, Limited (CRL or the Company) was incorporated under the laws of the State of Vermont on June 20, 1997 and was issued a Certificate of Authority permitting it to transact the business of an industrial insured captive insurance company by the State of Vermont Department of Banking, Insurance, Securities and Health Care Administration (the Department) on June 24, 1997. CRL commenced operations on July 1, 1997. CRL assumes various coverages from 23 and 24 public entity pools at December 31, 2010 and 2009, respectively. These public entity pools provide direct coverages to approximately 2,798 policyholders (2,822 in 2009) located in Alabama, Arkansas, Arizona, Georgia, Kansas, Kentucky, Missouri, Nebraska, Nevada, North Carolina, New Mexico, Ohio, Oklahoma, Pennsylvania, Tennessee, Texas and Utah at December 31, 2010. As of December 31, 2010 and 2009, premiums from the three largest pools represent approximately 25% and 28% of gross written premiums, respectively.

*Basis of Reporting*

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) promulgated by the Financial Accounting Standards Board Accounting Standards Codification (ASC or the guidance).

*Use of Estimates*

Preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Subsequent Events*

The Company has evaluated subsequent events for disclosure and recognition through April 12, 2011, the date which these financial statements were available to be issued, and all events identified have been reflected within these statements.

*Fair Value Measurements*

CRL's estimates of fair value for financial assets and financial liabilities are based on the framework established in the fair value measurements and disclosures accounting guidance. The framework is based on the inputs used in valuation and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the fair value accounting guidance hierarchy is based on whether the significant inputs into the valuation are observable.

County Reinsurance, Limited

Notes to Financial Statements (Continued)

Years ended December 31, 2010 and 2009

**Note A - Organization and Significant Accounting Policies (Continued)**

In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the Company's significant market assumptions. The Company recognizes transfers between levels at the end of the reporting period. The three levels of the hierarchy are as follows:

Level 1 – Inputs to the valuation methodology are quoted prices for identical assets or liabilities traded in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market corroborated inputs.

Level 3 – Valuations based on models where significant inputs are not observable. The unobservable inputs reflect the Company's own assumptions about the inputs that market participants would use.

*Fair Value Option*

Effective January 1, 2008, CRL elected to adopt fair value option accounting guidance for its investment portfolio. As a result CRL measures its investment portfolio at fair value, with changes in unrealized gains and losses recorded directly to the statement of operations as a component of net investment income.

*Investments*

Investments held by CRL at December 31, 2010 and 2009 consist of U.S. Treasury notes, obligations of U.S. government sponsored enterprises, corporate bonds, asset-backed securities, collateralized mortgage-backed securities, commercial mortgage-backed securities and municipal bonds. Investments are reported at their estimated fair values with unrealized gains and losses reported as a component of investment income within the statement of operations. Realized gains and losses on sales of investments are determined using the specific identification method. As more fully described in Note B, CRL holds five trust accounts which provide collateral in the form of pledged securities in connection with various policies issued or assumed by the Company.

County Reinsurance, Limited

Notes to Financial Statements (Continued)

Years ended December 31, 2010 and 2009

**Note A - Organization and Significant Accounting Policies (Continued)**

*Other Investments*

Other investments held during 2010 and 2009 include alternative funds, that invest in derivative instruments. These funds are accounted for in accordance with the derivatives and hedging accounting guidance. Gains and losses on derivative instruments are recognized currently in earnings.

*Auction Rate Securities*

Auction rate securities are considered short term as the interest rate is reset at 7 day intervals, enabling the Company to liquidate their holdings at each interval. Auction rate securities are carried at amortized cost, which approximates fair value. During 2010 and 2009 auction rate securities totaling \$150,000 and \$400,000, respectively were sold at auction. However, given current market conditions, certain auction rate securities held by CRL "failed" at auction during 2010 and 2009 which decreases the liquidity of these securities. All auction rate securities continued to be current on all required interest payments during 2010 and 2009.

*Cash and Cash Equivalents*

For purposes of the statement of cash flows, CRL considers money market funds and all highly-liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents are as follows at December 31:

	2010	2009
People's United Bank - operating account	\$ 138,204	\$ 206,036
Citi Smith Barney - cash & money market accounts	-	1,708
U.S. Bank - cash & money market accounts	120,753	6,928,915
State Street - cash & money market accounts	<u>2,728,331</u>	<u>10,268,142</u>
Total	<u>\$ 2,987,288</u>	<u>\$ 17,404,801</u>

The Federal Deposit Insurance Corporation (FDIC) insures amounts on deposit with each financial institution up to limits as prescribed by law. The Company holds funds with financial institutions in excess of the FDIC insured amount, however, the Company has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

*Property, Furniture and Equipment*

Depreciation and amortization on property, furniture and equipment is recognized over the estimated service lives of depreciable assets. The straight-line method of depreciation is followed for substantially all assets for financial reporting purposes.

County Reinsurance, Limited

Notes to Financial Statements (Continued)

Years ended December 31, 2010 and 2009

**Note A - Organization and Significant Accounting Policies (Continued)**

*Recognition of Premium Revenue*

Premiums assumed are earned ratably over the terms of the policies to which they relate. Premiums assumed relating to the unexpired portion of policies in force at the balance sheet date are recorded as unearned premiums. Premiums ceded pursuant to reinsurance agreements are expensed over the terms of the underlying policies to which they relate and are netted against earned premiums. Ceded premiums relating to the unexpired portion of underlying policies are recorded as prepaid reinsurance premiums.

The company recognizes premium deficiencies when there is a probable loss on an insurance contract. Premium deficiencies are recognized if the sum of expected losses and loss adjustment expenses, expected dividends to policyholders, unamortized deferred acquisition costs, and maintenance costs exceed unearned premiums and anticipated investment income. No premium deficiency reserve has been recorded as of December 31, 2010 and 2009.

*Losses and Loss Adjustment Expenses*

The liability for unpaid losses and loss adjustment expenses reported in the financial statements includes case basis estimates of reported losses, plus supplemental amounts for projected incurred but not reported losses (IBNR) calculated based upon loss projections utilizing actuarial studies of the members' own historical loss data for periods prior to and subsequent to the creation of CRL and industry data. In establishing its liability for losses and loss adjustment expenses, CRL utilizes the findings of an independent consulting actuary. Management has recorded its reserves based on the actuary's best estimate and believes that its aggregate liability for unpaid losses and loss adjustment expenses at year end represents its best estimate, based upon the available data, of the amount necessary to cover the ultimate cost of losses; however, because of uncertainty associated with the limited population of insured risks, economic conditions, judicial decisions, legislation and others reasons, actual loss experience may not conform to the assumptions used in determining the estimated amounts for such liability at the balance sheet date. Accordingly, the ultimate liability could be significantly in excess of or less than the amount indicated in the financial statements. As adjustments to these estimates become necessary, such adjustments are reflected in current operations.

*Reinsurance Recoverable - Unpaid Losses*

Reinsurance recoverable is comprised of estimated amounts of losses and loss adjustment expenses unpaid which are expected to be recoverable from reinsurers pursuant to reinsurance agreements. Such amounts have been estimated using actuarial assumptions consistent with those used to estimate the related liability for unpaid losses and loss adjustment expenses. Management believes that the reinsurance recoverable as recorded represents its best estimate of such amounts; however, as changes in the estimated ultimate liability for losses and loss adjustment expenses are determined, the estimated ultimate amount receivable from reinsurers will also change.



County Reinsurance, Limited

Notes to Financial Statements (Continued)

Years ended December 31, 2010 and 2009

**Note A - Organization and Significant Accounting Policies (Continued)**

Accordingly, the ultimate receivable could be significantly in excess of or less than the amount indicated in the financial statements. As adjustments to these estimates become necessary, such adjustments are reflected in current operations.

CRL relies on facultative reinsurance agreements to limit its insurance risk as described further in Note B. In the event that any or all of the reinsuring companies are unable to meet their obligations under existing reinsurance agreements, CRL would be liable for such defaulted amounts. In preparing financial statements, management makes estimates of the amounts recoverable from reinsurers, which includes consideration of amounts, if any, estimated to be uncollectible based on assessment of factors including management's assessment of the creditworthiness of the reinsurers. Management evaluated the creditworthiness of its reinsurers and determined that no specific valuation allowance was required at December 31, 2010 and 2009.

*Reinsurance Recoverable - Paid Losses*

Reinsurance recoverable on paid losses includes amounts of losses and loss adjustment expenses paid by CRL, which are expected to be recoverable from the reinsurers pursuant to reinsurance agreements. Management has determined that no provision for uncollectible reinsurance recoveries is necessary as of December 31, 2010 and 2009.

*Commission Income*

Commission income on business ceded to reinsurers and on excess liability and workers' compensation business placed directly by the policyholders through reinsurers are deferred and earned over the terms of the underlying policies to which they relate. Commissions relating to the unexpired portion of the underlying policies in force at the balance sheet date are recorded as deferred ceding commission income.

*Deferred Policy Acquisition Costs*

Premium taxes and other costs of acquiring business are deferred and amortized over the terms of the underlying policies to which they relate.

**Note B - Insurance Activity**

CRL assumes various liability coverages from member pools, on an occurrence and a claims-made basis, up to \$11 million inclusive of the individual pool retentions, which range from \$250,000 to \$1,000,000 and the insured corridor layer where applicable. CRL limits its risks to the first \$2 million per occurrence or claim (inclusive of the member retentions) through facultative reinsurance agreements with Lexington Insurance Company (Lexington) and the Insurance Company of The State of Pennsylvania.

County Reinsurance, Limited

Notes to Financial Statements (Continued)

Years ended December 31, 2010 and 2009

**Note B - Insurance Activity (Continued)**

CRL assumes workers' compensation coverage from various public entity pools with limits up to \$2.5 million per occurrence inclusive of individual pool retentions which range from \$500,000 to \$1,500,000 and the insured corridor layer where applicable. CRL also assumes workers' compensation coverage for several other pools from Safety National Casualty Corporation (SNCC) on an occurrence basis with a limit of up to \$2.5 million inclusive of the individual pool retentions, which range from \$400,000 to \$850,000 and the insured corridor layer where applicable. In addition, CRL assumes from SNCC a \$2 million corridor in excess of \$2.5 million for all policies issued to CRL member pools.

Effective July 1, 2010 CRL provides direct property coverage with a \$25 million occurrence limit, but cedes all premium and losses excess \$750,000 per occurrence to Lexington. CRL's net retained limit is \$500,000 excess of a member retention of \$250,000, with an annual aggregate limit of \$1.1 million. Prior to July 1, 2010, CRL provided property reinsurance to eight member pools. This coverage provided an occurrence limit of \$500,000 excess of a \$250,000 member retention with a \$1.1 million annual aggregate limit.

CRL holds a trust account with investments totaling \$12,197,798 and \$11,949,585 as of December 31, 2010 and 2009, respectively, for the benefit of United States Fidelity and Guaranty Company. This trust account is for fronted policies offered from 1997 to 2003.

CRL holds a trust account with investments totaling \$11,965,911 and \$11,155,348 as of December 31, 2010 and 2009, respectively, for the benefit of SNCC. This trust account is for fronted policies offered from 2004 to 2010.

CRL holds a trust account with investments totaling \$4,705,663 and \$3,922,311 as of December 31, 2010 and 2009, respectively, for the benefit of the Association of County Commissioners of Georgia Interlocal Risk Management Agency.

CRL holds a trust account with investments totaling \$5,080,465 and \$3,493,170 as of December 31, 2010 and 2009, respectively, for the benefit of the Association of County Commissioners of Georgia Group Self-Insurance Workers' Compensation Fund.

CRL holds a trust account with investments totaling \$403,645 as of December 31, 2010 for the benefit of the Kansas County Association Multiline Pool.

County Reinsurance, Limited

Notes to Financial Statements (Continued)

Years ended December 31, 2010 and 2009

**Note B - Insurance Activity (Continued)**

A reconciliation of assumed to net premiums, on both a written and an earned basis is as follows:

	2010		2009	
	Written	Earned	Written	Earned
Assumed	\$ 25,990,585	\$ 22,979,460	\$ 20,081,647	\$ 20,383,231
Ceded	(7,157,180)	(4,560,711)	(1,896,927)	(1,825,716)
Net Premiums	<u>\$ 18,833,405</u>	<u>\$ 18,418,749</u>	<u>\$ 18,184,720</u>	<u>\$ 18,557,515</u>

The components of the liability for losses and loss adjustment expenses and related reinsurance recoverable are as follows:

	2010	2009
Case-basis reserves	\$ 58,658,937	\$ 52,614,558
IBNR reserves	<u>50,070,678</u>	<u>47,238,358</u>
Gross reserves	108,729,615	99,852,916
Reinsurance recoverable	<u>(4,009,804)</u>	<u>(4,290,567)</u>
Net reserves	<u>\$ 104,719,811</u>	<u>\$ 95,562,349</u>

Losses and loss adjustment expense activity is as follows:

	2010	2009
Liability as of January 1, net of reinsurance recoverable of \$4,290,567 and \$4,159,239	\$ 95,562,349	\$ 86,976,122
Incurred related to:		
Current year	19,385,332	15,466,290
Development of prior years	<u>68,460</u>	<u>3,122,242</u>
Total incurred during the year	19,453,792	18,588,532
Paid related to:		
Current year	(328,369)	(249,069)
Prior years	<u>(9,967,961)</u>	<u>(9,753,236)</u>
Total paid during the year	<u>(10,296,330)</u>	<u>(10,002,305)</u>
Liability as of December 31, net of reinsurance recoverable of \$4,009,804 and \$4,290,567	<u>\$ 104,719,811</u>	<u>\$ 95,562,349</u>

County Reinsurance, Limited

Notes to Financial Statements (Continued)

Years ended December 31, 2010 and 2009

**Note B - Insurance Activity (Continued)**

The 2010 unfavorable development of prior years is related to the liability and workers' compensation coverages. Total unfavorable development on workers' compensation amounted to \$12,267. Total unfavorable development on liability coverage amounted to \$56,193.

The 2009 unfavorable development of \$3,122,242 for prior years is primarily related to increased incurred losses on the 2007 workers' compensation coverage and on the 2007 and 2006 liability coverage. Total unfavorable development on workers' compensation amounted to \$1,368,990. Total unfavorable development on liability coverage amounted to \$1,549,160.

**Note C - Investments**

The amortized cost, gross unrealized gains, gross unrealized losses and estimated fair values for investments held at December 31, 2010 are as follows:

At December 31, 2010	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury notes	\$ 8,312,359	\$ 299,501	\$ (4,117)	\$ 8,607,743
Obligations of U.S. Government sponsored enterprises	50,432,160	1,000,902	(208,064)	51,224,998
Corporate bonds	43,246,296	1,873,959	(210,148)	44,910,107
Asset-backed securities	3,283,391	31,517	(8,947)	3,305,961
Collateralized mortgage obligations	433,583	22,755	(15,422)	440,916
Commercial mortgage-backed securities	6,936,127	198,706	(50,033)	7,084,800
Municipal bonds	<u>9,324,735</u>	<u>70,179</u>	<u>(149,076)</u>	<u>9,245,838</u>
Total	<u>\$ 121,968,651</u>	<u>\$ 3,497,519</u>	<u>\$ (645,807)</u>	<u>\$ 124,820,363</u>



County Reinsurance, Limited

Notes to Financial Statements (Continued)

Years ended December 31, 2010 and 2009

**Note C - Investments (Continued)**

The amortized cost, gross unrealized gains, gross unrealized losses and estimated fair values for investments held at December 31, 2009 are as follows:

At December 31, 2009	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury notes	\$ 15,105,526	\$ 155,088	\$ (204,834)	\$ 15,055,780
Obligations of U.S. Government sponsored enterprises	35,237,899	388,450	(296,384)	35,329,965
Corporate bonds	30,802,973	1,576,445	(108,344)	32,271,074
Asset-backed securities	2,861,923	12,350	(12,303)	2,861,970
Collateralized mortgage obligations	461,534	-	(54,322)	407,212
Commercial mortgage-backed securities	6,215,377	253,227	(44,347)	6,424,257
Municipal bonds	3,473,096	3,284	(68,230)	3,408,150
<b>Total</b>	<b>\$ 94,158,328</b>	<b>\$ 2,388,844</b>	<b>\$ (788,764)</b>	<b>\$ 95,758,408</b>

Expected maturities may differ from contractual maturities as borrowers may have the right to call or prepay obligations without penalty. The scheduled maturities of bond investments at December 31, 2010 are as follows:

Maturity:	Amortized Cost	Estimated Fair Value
In 2011	\$ 5,007,057	\$ 5,031,673
In 2012-2015	36,804,931	37,995,773
In 2016-2020	22,395,257	23,205,907
Due after 2020	47,108,305	47,755,333
Mortgage and asset-backed securities	10,653,101	10,831,677
<b>Total</b>	<b>\$ 121,968,651</b>	<b>\$ 124,820,363</b>

During 2010 and 2009 CRL recognized gross realized gains on sales of investments of \$924,082 and \$1,205,147, respectively. During 2010 and 2009, CRL recognized gross realized losses on sales of investments of \$107,052 and \$3,378,513, respectively.

The Company adopted fair value guidance for financial instruments as of January 1, 2008. Accordingly, beginning January 1, 2008, market value adjustments related to the change in unrealized gains or losses on fixed maturity and equity securities held as of the reporting date are included as a component of net

County Reinsurance, Limited

Notes to Financial Statements (Continued)

Years ended December 31, 2010 and 2009

**Note C - Investments (Continued)**

investment income on the statements of operations. The market value adjustments on other investments including derivative and limited partnership holdings are realized in the current year as more fully described in Note D. Investment income for the years ending December 31, 2010 and 2009 is summarized as follows:

	2010	2009
Investment Income:		
Fixed-maturities	\$ 3,981,705	\$ 2,811,211
Equities	-	516
Auction rate securities	9,638	12,330
Cash and short-term investments	12,056	162,876
Change in unrealized gains on assets held at reporting date	1,251,633	3,509,452
Gross investment income	5,255,032	6,496,385
Investment expenses	(299,247)	(282,496)
Net investment income	\$ 4,955,785	\$ 6,213,889

The following tables present the level within the fair value hierarchy at which CRL's investments are measured on a recurring basis as of December 31, 2010 and 2009:

December 31, 2010	Level 1	Level 2	Level 3	Total
U.S. Treasury notes	\$ 8,607,743	\$ -	\$ -	\$ 8,607,743
Obligations of U.S. Government sponsored enterprises	-	51,224,998	-	51,224,998
Corporate bonds	-	44,910,107	-	44,910,107
Asset-backed securities	-	3,305,961	-	3,305,961
Collateralized mortgage obligations	-	440,916	-	440,916
Commercial mortgage- backed securities	-	7,084,800	-	7,084,800
Municipal bonds	-	9,245,838	-	9,245,838
<b>Total</b>	<b>\$ 8,607,743</b>	<b>\$ 116,212,620</b>	<b>\$ -</b>	<b>\$ 124,820,363</b>

County Reinsurance, Limited

Notes to Financial Statements (Continued)

Years ended December 31, 2010 and 2009

**Note C - Investments (Continued)**

<u>December 31, 2009</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasury notes	\$ 15,055,780	\$ -	\$ -	\$ 15,055,780
Obligations of U.S. Government sponsored enterprises	-	35,329,965	-	35,329,965
Corporate bonds	-	32,271,074	-	32,271,074
Asset-backed securities	-	2,861,970	-	2,861,970
Collateralized mortgage obligations	-	407,212	-	407,212
Commercial mortgage- backed securities	-	6,424,257	-	6,424,257
Municipal bonds	-	3,408,150	-	3,408,150
Total	<u>\$ 15,055,780</u>	<u>\$ 80,702,628</u>	<u>\$ -</u>	<u>\$ 95,758,408</u>

**Note D - Other Investments**

Other investments consist of the following at December 31, 2010:

<u>Derivative Investments</u>	<u>Beginning Holding Value</u>	<u>Sales At Cost</u>	<u>Realized Losses</u>	<u>Ending Holding Value</u>
Arden Endowment Fund	<u>\$ 633,358</u>	<u>\$ (529,679)</u>	<u>\$ (103,679)</u>	<u>\$ -</u>

Other investments consist of the following at December 31, 2009:

<u>Derivative Investments</u>	<u>Beginning Holding Value</u>	<u>Sales At Cost</u>	<u>Realized Losses</u>	<u>Ending Holding Value</u>
Arden Endowment Fund	\$ 4,746,312	\$ (4,102,241)	\$ (10,713)	\$ 633,358
Austin Capital All Seasons Fund	<u>2,867,764</u>	<u>(2,865,871)</u>	<u>(1,893)</u>	<u>-</u>
Total	<u>\$ 7,614,076</u>	<u>\$ (6,968,112)</u>	<u>\$ (12,606)</u>	<u>\$ 633,358</u>

County Reinsurance, Limited

Notes to Financial Statements (Continued)

Years ended December 31, 2010 and 2009

**Note D - Other Investments (Continued)**

In 2010 and prior, CRL invested in hedge funds for diversification of its portfolio. The Arden Endowment Fund and Austin Capital All Seasons Fund are described as hedge funds. The objective of the Arden Endowment Fund is to provide investors with absolute returns on a consistent basis with limited volatility and limited beta to stocks and bonds. Their strategy to achieve this objective is through making allocations to a diversified selection of event-driven and relative value managers who are identified through a disciplined, research-driven investment process. The objective of the Austin Capital All Seasons Fund is to capture absolute returns while focusing on capital preservation. The fund utilizes a dynamic portfolio management strategy with a proprietary risk management model to achieve this objective and invests with a selection of alternative money managers that specialize in long and/or short equity strategies. The estimated fair value of these funds are determined by the investment advisors. During 2009, CRL sold its investment in the Austin Capital All Season Fund and also sold a portion of the Arden Endowment Fund. During 2010, CRL sold its remaining investment in the Arden Endowment Fund.

The following tables present the level within the fair value hierarchy at which CRL's hedge fund and auction rate security investments are measured on a recurring basis as of December 31, 2010 and 2009:

<u>December 31, 2010</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Auction rate securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 525,000</u>	<u>\$ 525,000</u>
<u>December 31, 2009</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Derivative investments	\$ -	\$ -	\$ 633,358	\$ 633,358
Auction rate securities	-	-	675,000	675,000
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,308,358</u>	<u>\$ 1,308,358</u>

The following tables summarize changes in Level 3 assets measured at fair value for the years ended December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Balance at January 1st	\$ 1,308,358	\$ 8,689,076
Net realized losses included in net income	(103,679)	(12,606)
Purchases, issuance and settlements	(679,679)	(7,368,112)
Net transfers in and (out of) Level 3	-	-
Balance at December 31st	<u>\$ 525,000</u>	<u>\$ 1,308,358</u>

County Reinsurance, Limited

Notes to Financial Statements (Continued)

Years ended December 31, 2010 and 2009

**Note E - Federal Income Taxes**

CRL is a corporation formed to provide various types of reinsurance coverages solely to its members who are non-profit, risk-sharing pools of political subdivisions of states. CRL received approval to be tax exempt from federal income taxes pursuant to Section 115 of the Internal Revenue Service Code. Accordingly, no provision for federal income taxes is included in the accompanying financial statements. CRL does not believe it has taken any uncertain tax positions that would jeopardize its federal income tax exemption status.

**Note F - Service Agreements and Related Party Transactions**

Accounting and reporting services, records retention and other management services are provided by USA Risk Group of Vermont, Inc. The National Association of Counties - Financial Services Center provides advertising and marketing services. Marsh Inc. provides brokerage and risk management services. Alternative Services Concepts, LLC provides claims auditing and management services.

CRL employs an Executive Director, whose responsibilities include supervising all contractors, vendors and service providers engaged by CRL, and handling claims management. The Executive Director also contracts with service providers to provide claims management consultation and advice. CRL also employs other employees to assist with underwriting, claims and administrative functions.

**Note G - Property, Furniture and Equipment**

CRL owns condominium office space in Clemmons, North Carolina. Property, furniture and equipment consisted of the following at December 31:

	2010	2009
Real estate	\$ 567,544	\$ 474,102
Furniture and equipment	67,123	49,335
Less: accumulated depreciation	<u>(68,263)</u>	<u>(48,940)</u>
Property, furniture and equipment, net	<u>\$ 566,404</u>	<u>\$ 474,497</u>

Depreciation expense of \$19,324 and \$19,516 for the years ended December 31, 2010 and 2009, respectively, is included in general and administrative expenses.

County Reinsurance, Limited

Notes to Financial Statements (Continued)

Years ended December 31, 2010 and 2009

**Note H - Loss Contingency**

CRL is subject to various legal proceedings, claims, and liabilities which arise in the ordinary course of operations. In the opinion of the CRL's management, the ultimate resolution of these matters will not have a material adverse impact on the Company's financial position or results of operations.

**Note I - Members' Contributions and Surplus**

In accordance with laws of the State of Vermont, for the purpose of submitting its financial statements to the State for regulatory purposes, CRL is required to use GAAP with the exception of variances prescribed by Vermont laws and regulations or permitted by the Department. Pursuant to laws of the State of Vermont, CRL is required to maintain members' contributions and surplus of \$500,000. Members' contributions and surplus was \$16,242,350 and \$11,497,678 at December 31, 2010 and 2009, respectively.

CRL is owned by 23 and 24 members at December 31, 2010 and 2009. Each member pool made an initial contribution based on a percentage of its net reinsurance premium. Additional contributions may be required from member pools as determined by the Company. Additional contributions totaled \$1,128,910 and \$1,088,069 in 2010 and 2009, respectively.

Upon a withdrawal or termination of a member, the member may request repayment of the original contribution plus a portion of CRL's earnings accumulated during its membership. The repayment may be granted at the discretion of the Board of Directors with prior approval from the Department. Repayment, subject to approval, can be paid in either a lump sum or in installments up to a maximum period of five years.

The New Mexico County Insurance Authority Law Enforcement Pool and Multi-line Pool were not offered renewal terms on January 1, 2008. In total the New Mexico Pools will receive \$2,178,748 in returned capital contributions (including proportionate share of accumulated earnings) and will be paid in installments over five years. Capital contributions due back to the New Mexico Pools amounted to \$1,307,248 as of December 31, 2010. This balance is included within return of members' contributions payable on the balance sheets.

Effective January 1, 2010, the Pennsylvania Counties Workers' Compensation Trust (PComp) chose not to renew its coverage with CRL. Capital contributions (including proportionate share of accumulated earnings) due back to PComp amounted to \$185,234 as of December 31, 2010 and will be paid in installments over five years. This balance is included within return of members' contributions payable on the balance sheets.

County Reinsurance, Limited

Notes to Financial Statements (Continued)

Years ended December 31, 2010 and 2009

**Note I - Members' Contributions and Surplus (Continued)**

The Local Government Workers' Compensation Fund (Tennessee Workers Compensation Pool) chose not to renew its coverage with CRL effective July 1, 2009. As of December 31, 2009 capital contributions (including proportionate share of accumulated earnings) due back to the Tennessee Workers' Compensation Pool amounted to \$210,521. The Tennessee Workers' Compensation Pool renewed its coverage with CRL in 2010 and equity amounts due back have been applied to the 2010 capital contribution requirements.

Vermont law provides that no dividends may be paid to shareholders without prior approval of the Insurance Commissioner of the Department. There have been no dividends declared or paid in 2010 and 2009.

There are no differences, other than rounding, between members' contributions and surplus and net income as reported in the 2010 and 2009 Vermont Captive Insurance Company Annual Reports and the corresponding amounts reported in these financial statements.

*Editor:*

**Philip Bell**

CRL Executive Director

*Design & Print Coordination:*

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Winston-Salem, North Carolina





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# THE POOL POST

UTAH COUNTIES INSURANCE POOL

## LEXIPOL

Program Funding

Over the past three years, the Utah Sheriff's Association and the Utah Counties Insurance Pool have been working together to negotiate group pricing on subscriptions to the Lexipol Law Enforcement Policy Program. Several Counties have implemented this program for patrol operations and have found it to be very beneficial for keeping policies and procedures up to date.

Lexipol has indicated they will develop a similar program for Correctional Facility Policies, if there are enough Counties committed to subscribing to the program.

UCIP will be discussing the possible funding arrangements with County Commissioners/ Council Members on **Thursday September 22 at 11:30 a.m.** during the USACCC Fall Conference at the **Homestead Resort in Midway**. Interested Sheriffs and Sheriffs Association personnel are welcome to attend. Contact Mark Brady (801-307-2122) or Johnnie Miller (801-307-2114) for more information. <http://lexipol.com>



Predictable is Preventable •

## RATE ACTION by the BOARD of TRUSTEES

At their August 18, 2011 meeting, held in Cedar City, the Board of Trustees met with the Pool's Actuary, Lisa Dennison, and reviewed the 2012 Rate Analysis. While member exposures have increased from the prior year and costs for catastrophic coverages are expected to increase in 2012, the Board chose to adopt the Actuaries' *Expected Indications* and keep the rates stable as adopted in 2011.

The Board also approved an increase in member liability limits, effective 2012, at no additional charge to the members. Members are to be commended for their efforts in providing exposure information timely. Budget estimates were provided to members in August. Additional information on the 2012 Member Program will be forthcoming.

## UCIP MEMBERS are MEMBERS in the UTAH SAFETY COUNCIL

Just a reminder that membership in the Pool includes membership in the Utah Safety Council. The Safety Council provides statewide training to help members mitigate risks and gain the skills needed to integrate safety into the workplace, preventing incidents and keeping costs down. If you are not receiving the Safety Council Newsletter and Training Schedules, contact UCIP staff to have your email address added to the Council's contact list. The Safety Council's website provides a wealth of information on health and safety tips at: [www.utahsafetycouncil.org](http://www.utahsafetycouncil.org).



GOVERNING WITH  
**INTEGRITY**

2011 Annual Convention of the  
Utah Association of Counties - November 16-18

## HEALTH BENEFITS DISCUSSION at UAC ANNUAL CONVENTION

As discussed at the May Personnel Workshop, a special session will be held at the Utah Association of Counties Annual Convention, November 16-18, Dixie Center, St. George, to update County HR/Personnel Directors on Health Exchanges and related health benefit issues. Please plan to attend and/or if you need additional information, contact Board Member and Chair of the Personnel Committee, Brad Dee (801-399-8623) or visit UAC's website at: [www.uacnet.org](http://www.uacnet.org).



## LAW ENFORCEMENT CORNER

### Acting Under Discretionary Authority

In *Roberts v. Spielman* 11th Cir. Decided June 14, 2011, the Eleventh Circuit Court of Appeals determined the limits of authority of police officers in making a warrantless entry into a residence in an emergency situation. Spielman was directed to a residence based upon concerns that the occupant—who suffered from bi-polar disorder and had a history of suicidal behavior—was failing to respond to calls from a close relative, who feared that she was dead or severely injured. When Deputy Spielman arrived, he knocked at the front and the kitchen doors. He could hear the TV and he knocked and pushed the back door open a few inches. Robert's, on learning that it was a deputy, finally responded and became verbally abusive and directed Spieman to leave. Roberts approached, Spielman took her by the arm and pulled her outside, explaining he was doing a welfare check. Roberts was eventually released back inside her home.

Roberts sued for violation of her 4<sup>th</sup> Amendment rights. The 11<sup>th</sup> Circuit Court of Appeals held that in order to avoid civil liability, the deputy needed to show that he was acting under discretionary authority; that he acted in the performance of his duties as deputy and that the actions were within his scope of authority. In this case, protection of life was one of his job duties. The fact that he remained on the property for a short period of time after determining that Roberts was alive was also in the scope of his authority in order to determine if a suicide attempt had been made or was about to be made. They held that it was reasonable for the deputy to crack the door open to look for Roberts. Specifically, the court stated Deputy Spielman could reasonably have believed that Roberts posed a danger to herself that justified his remaining inside the doorway of her home for about five minutes and then, for safety reasons, briefly removing her from the home while he tried to calm her down and determine her mental state. The court stressed the fact the deputy's intrusion into the home and Robert's detention was only as long as necessary for him to determine that the exigency had passed. At this point, he left Robert's property. The court then held that in light of the above, the deputy did not violate Robert's Constitutional rights in this incident, and he was entitled to qualified immunity.

nobody puts  
*Law Enforcement*  
in the *Corner!*



## EMPLOYEE GRIEVANCES

### Can Come Under First Amendment Protection

A recent case involving a public employee's grievance led to the Supreme Court's clarification that grievances filed through a government employer's grievance process could be considered protected speech if they address matters of public concern. Borough of Duryea v. Guarnieri, 564 U.S. (2011). In this case a police chief alleged that he had been given some directives and negative working conditions in retaliation for filing of grievance petitions.

The Court's decision protects employers from retaliation claims based on free speech concerns when the grievances relate to matters of purely personal concern. Although, the Court did not decide how the public concern test was to be applied in the facts of that case,

it did give indications of what the requirement meant. If the employee complains about matters of pure private concern, i.e., a complaint about a change in the employee's own duties, then he cannot make a successful claim of retaliation based upon the First Amendment. If the employee's petition relates to a matter of public concern, then a balancing of interests must occur. The governmental employer can raise countervailing concerns regarding the effective and efficient management of its internal affairs. If the balance favors the employee, then the First Amendment claim will be sustained. If you are concerned about retaliation claims from your employees, please call the UCIP...

Employment Law Hotline  
801-532-7080  
Kristin Van Orman





## ANNUAL MEMBERSHIP MEETING

Celebrating 20 Years of Service

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